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**ECONOMIC AND INDUSTRIAL AFFAIRS**

**No. 2031**

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2031

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CEMA ECONOMIES' INABILITY TO RAISE LIVING STANDARDS ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 47 No 20, 14 May 80 pp 217-225

[Article by Jochen Bethkenhagen, Maria Lodahl, Heinrich Machowski and Maria Elisabeth Ruban, German Institute for Economic Research (DIW), West Berlin: "On the Economic Situation in CEMA: New Economic Declines Restrict Leeway for Improvements in Living Standards." Translations of three earlier DIW-WOCHENBERICHT items cited in footnotes below are published under headings as indicated in the following JPRS issues of this series: Footnote 12--"Development of GDR-USSR Trade Analyzed," 75377, 26 Mar 80, No 1991, pp 13-33; footnote 13--"CEMA Economic Growth Rates Analyzed," 73790, 2 Jul 79, No 1911, pp 1-15; and footnote 14--"Temporary Increase in East-West Trade Analyzed," 74623, 23 Nov 79, No 1956, pp 1-13]

[Text] In 1979, the trend toward economic decline in the CEMA member states, the outlines of which had been apparent for a number of years, showed further intensification: The CNP growth rate of this region reached its hitherto lowest point (just under 2 percent) as compared to 4.5 percent in 1978. Again, the national economies proved vulnerable to unfavorable weather conditions. These conditions affected both agricultural crop yields and industrial production. Moreover, waste of energy, materials and manpower prevent the necessary increases in labor productivity. In the same vein, the neglect of investments in the infrastructure, especially in the transport sector, has an increasingly inhibitory effect on the economic efficiency of the CEMA states. Improvements in living conditions were minimal. The efforts made to reduce the trade balance deficit produced only insignificant results. Due to the increase in the prices of raw materials, the smaller CEMA states again had to accept trade deficits vis-a-vis the Soviet Union, while the deficit in their trade with Western states decreased only slightly. In view of the raw material shortages and price increases, the growth prospects are unfavorable. The increasing indebtedness and the at best moderate expansion of export capacities markedly restrict the leeway for imports.

## Production: Weather-Related Growth Rate Declines

The European CEMA states<sup>1</sup> failed to attain the primary objective--growth rate stabilization--set by national economic policy for 1979: Last year, the overall production volume<sup>2</sup> expanded at a rate of just under 2 percent (1978: +4.5 percent).<sup>3</sup> Thus the decline in growth continued and at the same time, the Eastern Bloc lost its growth advantage vis-a-vis the Western industrialized states (real GNP increase in 1979: +4 percent).

In the /Soviet economy/ [words in slantlines printed in boldface], the decline was more pronounced as compared to the other countries of this region. This was primarily due to the negative results produced in Soviet agriculture, which accounts for 18 percent of the total GNP.

Table 1. Area and Population of the CEMA Countries (Mid-1978)

	1) Fläche	2) Bevölkerung	
	3) 1000 qkm	4) Mill Personen	5) Personen je qkm
Bulgarien 6)	111	8,6	79
CSSR 7)	128	15,1	118
GDR 7)	108	16,8	155
Polen 8)	313	35,8	112
Rumänien 9)	238	21,9	92
Ungarn 10)	93	10,7	115
CEMA (6) 11)	991	108,3	108
USSR 12)	22 402	262,4	12
GDR (7) 13)	25 393	370,7	16
Quelle: Statistisches Jahrbuch der CSSR 1979 14)			

### Key:

- |                                 |  |
|---------------------------------|--|
| 1. Area                         | 8. Poland  |
| 2. Population                   | 9. Romania   |
| 3. 1,000 square kilometers      | 10. Hungary  |
| 4. Million persons              | 11. CEMA   |
| 5. Persons per square kilometer | 12. USSR   |
| 6. Bulgaria                     | 13. CEMA   |
| 7. GDR                          | 14. Source: Statistical Yearbook of the CSSR for 1979. |

However, in 1979 there occurred a marked decline in industrial production as well (no more than 3.5 percent). Unprecedented in recent Soviet economic history is the fact that an absolute drop in production was registered for a number of industrial products.

As regards the /six small CEMA states/ [words in slantlines printed in boldface], the development was somewhat more favorable; nevertheless, it clearly fell short of the plan targets. Agricultural output hardly showed any increase (0.5 percent), while industrial production increased by 4.5 percent (plan: +6 percent).

Table 2. Indicators of Overall Economic Development in the CEMA Countries  
Annual Changes (%)

Länder	1976/65 <sup>1)</sup>	1976/75 <sup>1)</sup>	1976	1977	1978	1979		1980	1980/75 <sup>1)</sup>
						1) Iax	2) Plan		
10) Produktiertes Nationalprodukt									
Bulgarien <sup>3)</sup>	8,7	7,8	8,7	8,3	8,5	8,5	7,8	8,7	7,7
CSFR	8,9	8,9	8,9	8,2	8,1	8,7	8,3	8,7	8,9-9,2
DDR	5,2	5,4	5,8	5,2	5,8	8	8,3	8,8	8,9-9,4
Polen	8,8	9,7	7,1	8,8	8,8	- 2,8	8,8	1,4-1,8	7,8-7,3
Rumänien	7,7	11,3	10,5	8,8	7,8	8,2	8,8	8,8	11,8
Ungarn	8,8	8,2	8,8	7,8	8,8	1,8	8-8	8,8-9,8	8,4-8,7
WGR (6) <sup>2)</sup>	8,5	7,8	8,9	8,8	8,8	2,8	8,8	8,3	8,8
USSR	7,8	8,7	8,3	8,5	8,8	3) 1,5	3) 3,2	3) 4,8	3) 5,8
WGR (7) <sup>2)</sup>	7,4	8,3	8,5	8,8	8,7	1,8	8,8	8,1	8,3
11) Bruttoproduktion der Industrie									
Bulgarien	10,5	9,1	8,8	8,8	8,9	8,2	7,8	8,3	9,1
CSFR	8,7	8,7	8,5	8,7	8,9	3,7	8,5	8,8	8,7-8,8
DDR	8,8	8,5	8,9	8,8	8,8	5,3	5,3	8,7	8,8-8,3
Polen	8,4	10,5	8,8	8) 8,8	8) 8,9	8) 2,8	8) 4,9	8) 3,8-4,3	8) 8,2-8,5
Rumänien	11,9	12,9	12,9	12,5	8,8	8,8	11,3	11,4	11,8
USSR	8,5	7,4	8,8	8,7	8,8	3,4	8,7	8,8	8,2-8,8
Ungarn	8,1	8,4	8,1	8,8	8,7	7,8	8,8	3,8-4,8	8,9-8,2
12) Bruttoproduktion der Landwirtschaft									
Bulgarien	3,5	3,8	4,1	- 4,8	4,3	7,8	7,8	3,7	8) 3,7
CSFR	4,9	2,7	- 2,7	8,1	2,8	- 3,9	3,8	7,2	8) 2,8-3,8
DDR	1,5	2,9	- 4,4	8,4	1,8	-	1,3	8,8	8) 3,8
Polen	1,8	3,8	- 8,7	8,8	4,3	- 1,4	3,9-4,8	4,8	8) 3,2-3,3
Rumänien	1,9	8,5	17,4	- 8,9	2,8	8,8	8,1-8,8	4,7-8,8	8) 4,9-8,5
USSR	3,9	8,8	8,5	4,8	2,7	- 4,8	8,8	8,8	8) 2,7-3,3
Ungarn	2,8	4,7	- 3,5	10,3	1,5	8,8	3,8-3,5	8,8-8,5	8) 3,8-8,2
13) Arbeitsproduktivität in der Industrie <sup>2)</sup>									
Bulgarien	8,8	8,8	8,5	8,8	8,8	8,8	8,7		8,8
CSFR	8,3	8,8	8,9	8,9	8,1	2,8	3,8		8,8-8,1
DDR	8,7	8,4	8,4	8,4	8,4	8,4	8,8	4,5	8,4
Polen	4,9	7,7	8,7	8) 8,1	8) 8,8	8) 2,3	8) 5,3	4,8	7,7
Rumänien	7,3	8,4	8,8	8,1	8,8	8,4	10,2	8,5	9,2
USSR	8,7	8,8	3,8	4,1	3,8	2,4	4,7	3,8	8,5
Ungarn	3,5	8,2	8,7	8,8	8,3	4,5	8,8		8,8-8,7
14) Brutto-Anlageinvestitionen									
Bulgarien	12,5	8,8	8,8	14,2	8,8	- 8,3	8,7		8,4-8,9
CSFR	7,3	8,8	8,2	8,7	8,1	1,8	2,4	2,4	7,5
DDR	9,9	8,1	8,1	8,8	2,9	2,4	8,8	8,8	8,7
Polen	8,1	10,4	2,3	4,3	1,5	7,4	8,8	2,4	8,5-7,8
Rumänien	11,2	11,5	8,8	11,7	18,8	8,1	9,1	4,9	12,8
USSR	7,8	8,9	4,4	3,8	8,1	1,8	4,5	3,3	4,7
Ungarn	11,7	7,1	8,7	14,4	8,2	8,3		-4 bis -5	4,7

(contin.)

Table 2. (contin.)

Länder	1972/73 <sup>1)</sup>	1973/74 <sup>1)</sup>	1976	1977	1978	1979		1980	1980/75 <sup>1)</sup>
						1st	Plan		
15) Einzelhandelsumsatz <sup>9)</sup>									
Bulgarien	8,7	7,7	7,8	8,2	8,7	10) 8,8	8,1	8,8	8,8
CSSR	9,3	9,4	8,3	8,3	8,7	8,8	8,8	8,8	8,8
DDR	8,8	9,4	8,1	8,4	8,5	8,2	8,8	8,8	8,8
Polen	8,3	10,7	7,2	8,8	1,1	11) 8,3	11) 8,1	11) 8,2	10,8
Rumänien	8,3	8,1	8,8	8,8	11,8	9,8	9,3	9,3	8,7
USSR	8,4	8,3	8,4	8,9	8,4	8,2	8,8	8,1	8,2
Ungarn	8,8	8,1	8,7	8,8	8,5	1,7	8,4	-	8,8
16) Durchschnittliche Löhne und Gehälter <sup>12)</sup>									
Bulgarien	4,1	3,3	1,2	2,9	3,1	-	-	-	3,1
CSSR	5,3	3,9	2,8	3,2	3,8	2,6	2,7	2,8	2,7
DDR	3,6	3,3	3,4	2,9	3,2	-	-	-	-
Polen	7,7	8,8	11,4	12) 7,1	12) 8,7	12) 8,8	12) 8,8-7,8	12) 8,9	-
Rumänien <sup>13)</sup>	4,8	4,3	7,3	8,2	10,6	4,8	-	-	7,8
USSR	4,8	3,6	3,8	2,8	3,8	2,8	1,8	2,1	3,2
Ungarn	4,4	5,8	8,3	7,7	8,7	7,7	8,8	4,8	-
17) Einfuhr <sup>14)</sup>									
Bulgarien	9,2	19,8	3,8	11,3	12,2	7,4	18) 9,8	18) 7,8	18) 9,8
CSSR	6,7	13,7	10,3	12,9	7,7	11,3	5,7	-	18) 6,5
DDR	11,3	14,0	18,9	8,8	1,7	18) 12,8	18) 9,8	18) 12,8	18) 7,3
Polen	8,8	23,7	10,8	5,3	4,9	8,3	5,1	6,8	4,8
Rumänien	12,7	17,7	14,1	18,1	18,6	20,1	18) 18,8	18) 14,8	18) 15,8
USSR	7,8	20,4	9,1	5,7	13,8	9,9	-	18) 4,7	18) 4,0
Ungarn	10,7	15,9	- 3,8	18,2	12,8	2,8	3) 8,8	2,8	18) 8,1
18) Ausfuhr <sup>14)</sup>									
Bulgarien	11,3	14,1	14,8	15,8	10,4	15,4	18) 9,8	18) 7,8	18) 9,8
CSSR	7,1	11,3	11,8	11,7	9,2	15,2	8,3	-	18) 8,5
DDR	8,3	12,7	12,7	8,8	10,3	18) 12,8	18) 9,8	18) 12,8	18) 7,3
Polen	9,4	10,3	7,1	11,4	9,7	12,2	9,1	11,0	11,8
Rumänien	10,8	18,1	14,9	14,4	5,5	18,8	18) 18,8	18) 14,8	18) 15,8
USSR	8,4	16,9	18,7	18,7	7,3	18,8	-	18) 4,7	18) 4,0
Ungarn	8,5	13,9	3,0	18,5	8,9	17,2	3) 11,8	8,8	18) 8,1
Anmerkung: Angaben für 1979 vorläufig. 19) 20)									
113m Jahresdurchschnitt, 210 Gewichte in % des insgesamt umgesetzten Nationalinkommens. Bulgarien 2,1; CSSR 5,1; DDR 6,7; Polen 8,3; Rumänien 4,8; Ungarn 7,1; Rum(6) 79,3; USSR 70,7; vergleichs. (economic survey of Europe 1977, 3) Geschätzte, 4) Verwendeten Nationalinkommens, 5) Spätsatz, 6) Durchschnittlicher jährlicher Zuwachs 1980/75 bezogen auf 1975/72, 7) Bruttoproduktion je Beschäftigten, 8) Umsatz je Beschäftigten, 9) Errechnet nach dem sog. Index des physischen Volumens, 10) zu jeweiligen Preisen, 11) Warenlieferungen für den Binnenmarkt und zu jeweiligen Preisen, 12) Staatlicher Sektor, nominal, 13) Netto, 14) zu jeweiligen Preisen und jeweiligen Wechselkursen, 15) Werte, 16) Importe, 17) Importe und Exporte, 18) Netto, 19) zu jeweiligen Preisen.									
Quellen: Statistisches Jahrbuch der Mitgliedsländer des RWE, div. Jahrgänge, Statistische Jahrbücher bzw. Monatshefte sowie Volkswirtschaftsplane und Planerfüllungsberichte der RWE-Länder									

Key:

- |                              |                                    |
|------------------------------|------------------------------------|
| 1. Actual results            | 11. Gross industrial output        |
| 2. Plan targets              | 12. Gross agricultural output      |
| 3. Bulgaria                  | 13. Labor productivity in industry |
| 4. GDR                       | 14. Gross capital goods investment |
| 5. Poland                    | 15. Retail turnover                |
| 6. Romania                   | 16. Average wages and salaries     |
| 7. Hungary                   | 17. Imports                        |
| 8. CEMA                      | 18. Exports                        |
| 9. USSR                      | 19. Note: Data for 1979 tentative  |
| 10. National income produced |                                    |

Key (contin.):

20. Footnotes: 1) Annual average. 2) Percentage shares of the total national income produced--Bulgaria 2.1; CSSR 5.1; GDR 6.7; Poland 8.3; Romania 4.8; Hungary 2.3; CEMA (6) 29.3; USSR 70.7. See Economic Survey of Europe 1977. 3) Estimated. 4) National income used. 5) Turnover. 6) Average annual increase 1980/75 as compared to 1975/70. 7) Gross production per employee. 8) Turnover per employee. 9) Calculated on the basis of the so-called Physical Volume Index. 10) At given prices. 11) Commodity shipments for the domestic market, at given prices. 12) State sector, nominal. 13) Net. 14) At given prices and exchange rates, fob values; Hungarian imports cif. 15) Imports and exports. Sources: Statistical Yearbook of the CEMA Member States, various years. Statistical yearbooks, monthly reports, economic plans and plan fulfillment reports of the CEMA Countries.

There were marked differences among the individual countries in regard to development: Poland--for the first time since 1945--had to face a decline in national income, whereas Bulgaria and the GDR increased their rate of growth as compared to the preceding year. In all countries, however, the economic leaders considered the results produced unsatisfactory.

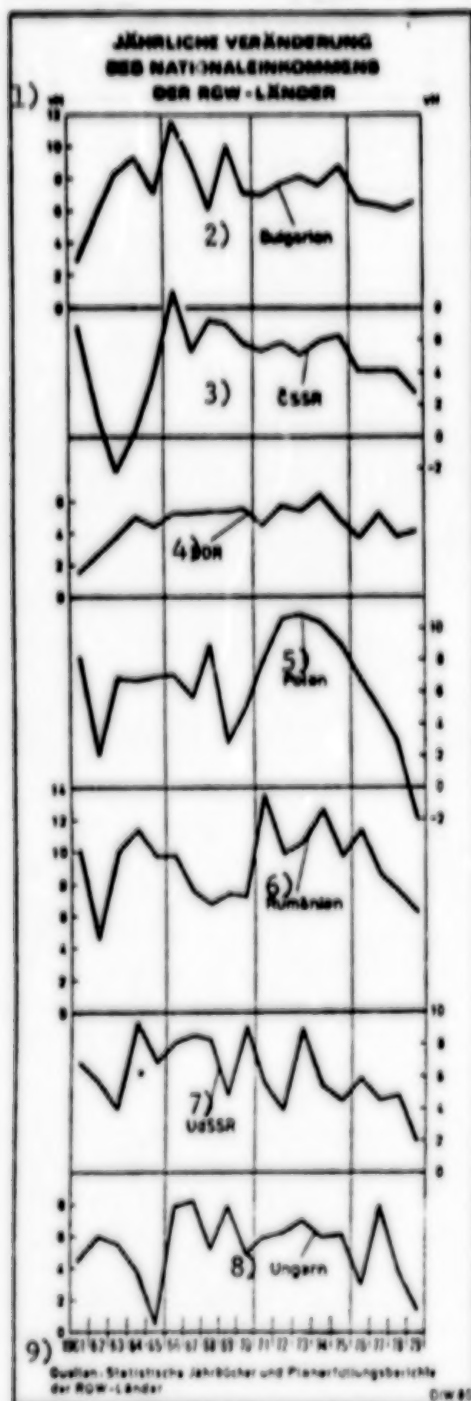
The difficulties that arose in the CEMA states in the last plan year were for the most part the direct result of the extremely unfavorable weather conditions at the beginning of the year, which caused extensive disruptions and losses. It appears that none of the CEMA states was able to offset the weather-related decline in growth.

Shortages in energy and raw material supplies occurred throughout the entire year and caused widespread production setbacks. The production of primary energy in the USSR rose by only 3 percent, whereas the plan had stipulated an increase of 5 percent. According to ECE<sup>4</sup> estimates based on as yet incomplete production data, the overall energy output increased in 1979 by just under 2 percent and thus only half as much as in the preceding year. The serious transport bottlenecks and the--in view of this situation--insufficient inventories in the industrial sector proved to be the result of planning mistakes. The situation was complicated due to the fact that for reasons in connection with their payments balances most of the CEMA countries were not able to increase in accordance with their domestic demand their imports of energy and raw materials, the prices of which increased again considerably in 1979.

At present, economic growth in the CEMA countries is hampered by difficulties in regard to the supply of energy and many industrial raw materials and semifinished goods. In all of East Europe, the key economic requirement is to check the waste of energy and raw materials, i.e. efficient and thrifty use of these production factors. Stricter consumption norms, higher prices for the industrial sector and the consumers as well as stricter use controls are the instruments with which positive results are to be obtained in this regard.



# Annual Changes in the CEMA Countries' National Income



## Key:

1. Percent
2. Bulgaria
3. CSSR
4. GDR
5. Poland
6. Romania
7. USSR
8. Hungary
9. Sources: Statistical yearbooks and plan fulfillment reports of the CEMA countries

Another objective, which is increasingly important in view of the growing shortage of manpower, is the more efficient use of the production factor labor. In all countries, there are complaints about poor work discipline and organization and about insufficient willingness to work or unjustified wage raises (Kadar: "Wages must not be compensation for mere presence.") Direct and indirect instruments such as new work norms, augmentation of the performance-based wage share, and material incentives are to heighten work discipline and curb labor turnover. So far, however, the increases in overall labor productivity have not come up to the expectations of the economic leadership.

#### Increase in National Income per Employee in the Production Sector (%)<sup>5</sup>

		1978/1979 <sup>1)</sup>	1979	1980	1976/1980 <sup>1)</sup>
		1) Ist	Ist	2) Plan	Plan
Bulgarien	3)	7	6	5	7,5
CSSR		3,5	2,5	3,5	4,5
DDR	4)	3,5	3	4	5
Polen	5)	4,5	-2	1	6
Rumänien	6)	9	7	9	10
UdSSR	7)	4	0,5	3,5	4,5
Ungarn	8)	5,5	1	3,5	5,5

<sup>1)</sup> Im Jahresdurchschnitt.

#### Key:

- |                   |                   |
|-------------------|-------------------|
| 1. Actual results | 6. Romania        |
| 2. Plan targets   | 7. USSR           |
| 3. Bulgaria       | 8. Hungary        |
| 4. GDR            | 9. Annual average |
| 5. Poland         |                   |

With the exception of Bulgaria, the plans of all CEMA countries provide for accelerated growth for this year, which is to improve their starting position for the new five-year plan (1981/85). The productivity growth rate is to exceed that of 1979, but is not expected to come up to the average rate achieved during the period from 1976 to 1978.

In 1979, almost all of the countries took certain reform measures intended to effect a more efficient use of labor, capital and raw materials. These measures include new plan targets (introduction of net quotas), improvements in the enterprises' cost accounting and incentives to improve contractual discipline; they are also meant to strengthen the "role of the central plan," i.e. to re-establish central control over important economic sectors (investments, prices, retail).

Table 1. Share of Industry and Agriculture of the National Income Produced and of Employment<sup>1</sup> in 1978 (%)

	1)	Nationaleinkommen		2) Beschäftigung <sup>2)</sup>	
		3) Industrie	4) Landwirtschaft	3) Industrie	4) Landwirtschaft
Bulgarien	5)	65	18	51	30
USSR	6)	73	8	68	18
GDR	6)	88	10	63	13
Polen	6)	65	16	45	26
Rumänien	6)	74	16	48	37
USSR	6)	67	16	50	27
Ungarn	10)	59	16	52	26

1) Jahresdurchschnitt; 2) in produktierenden Bereich; 3) einschließlich Bauwirtschaft; 4) einschließlich Forstwirtschaft  
 Quelle: Statistisches Jahrbuch der Mitgliedsländer des CEMA 1979

Key:

- |                    |  |
|--------------------|--|
| 1. National Income | 9. USSR  |
| 2. Employment      | 10. Hungary  |
| 3. Industry        | 11. 1) Annual average. 2) In the production sector. 3) Incl. building industry. 4) Incl. forestry. |
| 4. Agriculture     | 12. Source: Statistical Yearbook of the CEMA Member States for 1979.                               |
| 5. Bulgaria        |  |
| 6. GDR             |  |
| 7. Poland          |  |
| 8. Romania         |  |

**Agriculture: Bad Grain Harvests Increase Need for Imports**

The development in the agrarian sector was marked by the decline in gross production as compared to the preceding year. Only Bulgaria and Romania registered an increase. The overall picture in the agricultural sector was strongly affected by the crop failures; in regard to livestock breeding, all of the CEMA countries registered at least modest gains.

A pronounced drop in yield was registered in grain production in particular; it should be noted, however, that the 1978 harvest was relatively good. In the Soviet Union, the 1979 harvest (179 million tons) fell short by 25 percent of the volume of the preceding year. In the other CEMA countries, the harvest (75 million tons) declined by 9 percent. Poland (-22 percent) and the CSSR (-17 percent) were hit especially hard by the crop failure. The average yield planned for the period from 1976 to 1980 is just under 90 million tons, whereas the average harvest during the period from 1976 to 1979 was a mere 79 million tons. Increasingly, the decline in grain production hampers the improvement of livestock breeding.

Since the mid-1970's, the CEMA countries' net grain imports have been increasing. In Poland, the plan for 1979 stipulated imports of as much as 6 million tons; by now, the import volume must be estimated at over 10 million tons. The USSR imported 2 million tons in the last calendar year;<sup>6</sup>

Table 4. Production of Selected Agricultural Products (in mill. t)

	1971 1975	1976	1977	1978	1979 <sup>1)</sup>
<b>1) Getreide</b>					
Bulgarien 4)	7,5	8,6	7,7	7,6	8,4
CSSR	9,4	9,2	10,5	11,1	9,2
DDR 5)	8,8	8,2	8,8	9,9	9,0
Polen 6)	21,2	21,1	19,6	21,8	17,3
Rumänien 7)	15,8	15,9	18,7	19,1	19,3
Ungarn 8)	11,5	11,5	12,4	13,5	12,0
EWG(6) 9)	65,9	70,5	77,7	83,0	75,2
USSR 10)	181,4	223,8	195,7	237,2	179,0
EWG(7)	247,5	302,3	273,4	320,2	294,2
<b>2) Kartoffeln</b>					
Bulgarien	0,4	0,4	0,4	0,4	0,4
CSSR	4,6	4,2	3,8	4,0	3,7
DDR	10,0	6,8	10,3	10,8	12,7
Polen	47,1	50,6	41,3	44,6	49,6
Rumänien	3,4	4,8	4,2	4,5	4,1
Ungarn	1,8	1,4	1,7	1,8	1,4
EWG(6)	67,8	67,6	61,7	68,1	71,9
USSR	89,9	85,1	83,7	84,1	90,3
EWG(7)	157,7	152,7	145,4	154,7	162,2
<b>3) Zuckerrüben</b>					
Bulgarien	1,7	2,3	1,8	1,4	.
CSSR	6,9	5,2	8,2	7,4	7,9
DDR	5,5	5,8	7,4	6,8	6,8
Polen	12,8	15,1	15,9	15,7	14,7
Rumänien	4,8	6,9	6,2	5,8	6,8
Ungarn	3,1	3,9	3,9	4,2	3,9
EWG(6)	35,8	35,4	43,4	41,5	.
USSR	76,9	99,9	92,1	93,5	76,0
EWG(7)	111,8	138,3	136,5	135,0	.
11) Jahresdurchschnitt - 2100-tägige Angaben. 12)					
Statistisches Jahrbuch der Mitgliedsländer der EWG, verschiedene Jahrgänge und für 1979 Planerfüllungsberichte.					

Key:

- |                |  |
|----------------|--|
| 1. Grain       | 9. CEMA                                  |
| 2. Potatoes    | 10. USSR                                 |
| 3. Sugar beets | 11. 1) Annual average                    |
| 4. Bulgaria    | 2) Tentative data                        |
| 5. GDR         | 12. Sources: Statistical Yearbook of the |
| 6. Poland      | CEMA Member States, various years, and   |
| 7. Romania     | for 1979, plan fulfillment reports.      |
| 8. Hungary     |  |

during the period from 1974 to 1978, the country imported an average of 1.2 million tons. During the same period, the GDR imported an average of 3.2 million tons; due to the bad grain harvest, GDR grain imports in 1979--like those of the CSSR--are likely to be higher.

Due to the country's bad harvest of 1979, the import needs of the Soviet Union (approximately 30 to 35 million tons) were the most urgent. According to the original plans, the United States were to export 25 million tons to the Soviet Union. Subsequent to the partial grain embargo, this volume was reduced to the 8 million tons conceded in the long-term contract. However, as a result of the shipments from other countries, the effect of the embargo is likely to be quite limited.<sup>7</sup> Moreover, in order to save feed grain, the Soviet Union will probably resort to increased imports of meat, meat products and butter. However, there can be no doubt that the discontinuance of the American shipments has led to a revaluation of the Soviet agricultural development plans. To implement the 10-year program adopted in the summer of 1978, the Soviet Union has been intensifying the mobilization of resources.

In connection with the tense situation in the agrarian sector, the political leadership has adopted a relatively tolerant attitude toward the private sector, which--with the exception of Poland--is limited to so-called private and subsidiary plots (as a rule 0.5 hectares). The contribution made by these small producers to gross agricultural output is relatively large; in Romania and Bulgaria, it constitutes approximately one-third, and in the Soviet Union and Hungary, approximately one-fourth. In the GDR and the CSSR, on the other hand, it amounts to less than 10 percent.

#### Marked Slowdown of Investment Activity

As a result of the decline or stagnation of economic growth and the pronounced deterioration of the terms of trade--which only the Soviet Union has been spared--the leeway available for use of the national income has been considerably restricted in the CEMA countries. The full impact of this situation was felt especially in regard to the allocation of investment funds: With the exception of Poland, the 1979 growth rate in the other CEMA states fell short of the plan. In Poland, investments--viewed in absolute terms--decreased, but the decline was not as pronounced as had been planned. For 1980, Poland and Hungary have planned a reduction of 2 percent and 4 to 5 percent, respectively.

As in previous years, the economic leaders again stressed that investment activity must focus on projects that have been started and that can be completed in the course of the current year. Another investment focus common to all of the CEMA countries is the "modernization and reconstruction" of existing installations.



The lusterless overall development does not preclude a sharp rise in investments in certain areas. Sectors singled out for special support are energy production and infrastructure projects. Another bottleneck and thus planning focus for all of the CEMA states is the housing supply. Even the GDR, the country with the largest residential housing space per resident, declared housing construction the "nucleus" of its sociopolitical program. In Poland, the housing supply is "Problem No 1," the critical overall situation notwithstanding. However, here as well as in most of the other East European countries, the ambitious plans concerning construction of new housing could not be fulfilled last year. The financial strain caused by the housing construction programs confronts the state budgets of most of the East European countries with well-nigh unsolvable problems; consequently, private construction of owner-occupied houses and construction of condominiums--financed through the cooperatives or possibly by the state--is propagated more and more emphatically, especially in Hungary and Poland.

### Price Hikes Curb Increase in Purchasing Power

The decline in growth affected the development of real wages in various ways. In three countries, real wages declined, while in the other countries the rates of increase were only moderate.<sup>8</sup> Taking into account the respective wage and price increases, one notes for 1979 the following changes in comparison with the preceding year (%):

	1) Preisindex der Lebenshaltung	2) Löhne und Gehälter nominal	real
3) Bulgarien	4.0	3.2	- 0.8
CSSR	3.0	2.6	- 0.4
4) DDR	-	3.5	3.5
5) Polen	6.7	8.7	1.9
6) Rumänien	2.5	4.8	2.2
7) UdSSR	-	2.2	2.2
8) Ungarn	9.0	7.7	- 1.2

9) Quelle: The Economic Survey of Europe in 1979, s.a.O., S. 126 und Table 5.3.

### Key:

- |                         |   |
|-------------------------|---|
| 1. Consumer price index | 6. Romania  |
| 2. Wages and salaries   | 7. USSR   |
| 3. Bulgaria             | 8. Hungary  |
| 4. GDR                  | 9. Source: "The Economic Survey of Europe in 1979," op. cit., p 126 and Table 5.3 |
| 5. Poland               |   |

In some countries, the 1979 price increases in the private sector were quite pronounced. In Bulgaria, considerable increases in the prices of basic foodstuffs (up to 45 percent in the case of meat) came into effect in November 1979. In Hungary, the economic leadership wants to transfer

Table 2. Development and Regional Structure of the CEMA Countries' Foreign Trade

5)		1) Gesamt	2) Sozialist. Länder 1)	3) OECD-Länder 2)	4) Entwick.-Länder 3)	1) Gesamt	2) Sozialist. Länder 1)	3) OECD-Länder 2)	4) Entwick.-Länder 3)
		6) Anteil in %				6) Anteil in %			
9)		7) Export				8) Import			
Bulgarien	1978	9.12	78.1	18.2	19.6	9.22	81.5	19.2	2.2
	1979	9.80	74.1	14.6	11.3	9.81	81.1	18.8	2.4
CSSR	1978	7.99	73.4	18.2	8.1	8.21	71.8	23.4	4.7
	1979	9.16	69.8	20.8	9.4	8.47	71.8	24.1	4.9
DDR	1978	9.89	78.5	18.7	9.8	10.09	89.9	25.4	4.7
	1979	10.09	78.1	18.1	9.8	10.09	89.1	26.8	4.9
Polen	1978	10.09	80.7	21.2	9.9	11.06	84.1	20.8	9.7
	1979	11.06	82.8	21.2	9.9	10.06	84.2	20.8	9.9
Rumänien	1978	9.12	88.8	22.7	17.2	9.07	82.7	20.1	17.2
	1979	9.13	88.8	22.8	19.2	7.32	84.9	20.1	18.2
Ungarn	1978	9.80	71.7	22.8	8.3	7.07	83.4	20.1	8.3
	1979	7.17	69.1	24.1	8.3	7.07	83.4	20.4	8.3
Vietnam	1978	61.42	68.2	23.1	8.7	49.38	83.4	20.8	9.8
	1979	50.96	67.4	24.2	8.4	44.94	82.7	20.7	7.8
USSR	1978	31.07	78.4	20.8	19.8	30.75	89.7	22.2	8.9
	1979	42.43	78.7	20.7	19.1	37.88	86.7	22.2	8.1
Westeuropa	1978	82.19	84.2	23.8	11.9	84.07	81.4	20.8	11.2
	1979	91.41	82.1	20.9	11.9	92.47	80.7	20.9	11.8

1) Albanien, Bulgarien, CSSR, DDR, Kuba, Mongolei, Nordkorea, Polen, Rumänien, DDR, Ungarn, Vietnam und VR China. 2) Für die DDR sog. kapitalistische Industrieländer. 3) Restgruppen. 4) 1 transfer ruble entspricht 1.37 US-\$ (1973) und 1.53 US-\$ (1979).

Quellen: Außenhandelsstatistiken und statistische Monatshefte sowie Planerfüllungsberichte der GDR-Länder.

17) Angaben für 1979 vorläufige bzw. Schätzungen.

# Key:

1. Total
2. Socialist countries
3. OECD countries
4. Developing countries
5. Billion transfer rubles
6. Percentage
7. Exports
8. Imports
9. Bulgaria
10. GDR
11. Poland
12. Romania
13. Hungary
14. CEMA
15. USSR
16. 1) Albania, Bulgaria, CSSR, GDR, Cuba, Mongolia, North Korea, Poland, Romania, USSR, Hungary, Vietnam, People's Republic of China. 2) For the GDR, so-called Capitalist Industrial Countries. 3) Remainder. 4) 1 transfer ruble equaled \$ (U.S.) 1.47 (1973) and \$1.53 (1979).
17. Sources: Foreign trade statistics, monthly statistical reports and plan fulfillment reports of the CEMA countries. Data for 1979: Tentative or estimates.

through the price hikes the international scarcity relations to the Hungarian economy and gradually to assimilate the prices to the costs.

In the East European countries, the standard of living is not only a function of the development of incomes and prices; it is determined in equal measure by the volume and quantity of the supply. The plan fulfillment reports of all countries expressly state that it was not possible to meet the consumer demand for a number of goods. Some of these "deficit" goods are listed: Meat, fish, poultry, butter, potatoes, building materials, furniture, cotton fabric, automobiles, bicycles, refrigerators, television sets.

The attitudes toward savings varied greatly last year. In some countries, e.g. in the USSR and in Poland, the pronounced savings trend continued, whether the savers wanted to accumulate reserves for larger purchases or whether they did not find any acceptable goods for their money. This was not the case in Hungary, a country which through its relatively varied supply of goods encourages consumption: While total wages increased by over 9 percent, a changed savings attitude brought about an 11-percent rise in nominal retail turnover. Whereas in 1978 savings deposits had expanded by 17 billion forint, the 1979 increase amounted to a mere 11 billion forint. The fear of a further acceleration of inflation may have been a factor contributing to this attitude.

Even though quantification is impossible, there is no doubt that in the last few years there has been an increase in marginal or illegal economic activities. These activities take place on numerous "parallel markets" at which goods and services are "traded" that either are derived from the regular market (sales under the counter) or that do not reach the market (barter).

#### Foreign Trade: Economic Problems Prevent Deficit Reduction

In 1979, the expansion of foreign trade accelerated in regard to both exports and imports. The development went according to plan in that--with the exception of Romania and the GDR--the expansion of exports exceeded that of imports. While Bulgaria and the USSR registered a trade balance surplus, the other CEMA states again showed an overall deficit of 3.8 billion transfer rubles, i.e. a reduction of 1 billion transfer rubles as compared to the preceding year. After its setbacks in previous years, Hungary in particular was successful in reestablishing foreign trade equilibrium. The trade balance deficit was reduced by half as compared to 1978.

As regards foreign trade prices, the development was unfavorable for the East European countries. They had to accept a deterioration of their terms of trade by approximately 2 to 3 percentage points. The USSR was the only country to benefit from the above-average increase in the prices of raw materials.

The economic difficulties of the CEMA states affected foreign trade as well. Poland's relatively insignificant nominal expansion of exports can to some extent be attributed to insufficient industrial output: Production increased by a mere 4 percent--as against the 10 percent stipulated by the plan. In terms of value, Poland in 1979 became for the first time a net importer of power and fuel.<sup>9</sup> As regards trade in agricultural products, the deficit increases steadily (1975: 0.3 billion transfer rubles; 1979: 0.6 billion transfer rubles). On account of bad harvests, Hungary was not able to meet its obligations concerning agricultural exports to CEMA states. Increasingly, the lack of transport capacities proves an inhibitory factor in intra-bloc trade.

Table 6. Deficit (-) or Surplus (+) of the CEMA States in Their Trade With the USSR

1) Partnerländer	1971 -1974	1975	1976	1977	1978	1979
	2) in Mill. Rubl. <sup>1)</sup>					
Bulgarien 3)	+ 283	+ 128	+ 88	+ 164	+ 147	+ 139
USSR	+ 163	+ 128	+ 88	+ 243	+ 57	+ 168
GDR 4)	+ 615	+ 337	+ 479	+ 995	+ 271	+ 300
Polen 5)	+ 147	+ 41	+ 765	+ 324	+ 150	+ 120
Rumänien 6)	+ 319	+ 122	+ 40	+ 18	+ 8	+ 10
Ungarn 7)	+ 97	+ 43	+ 90	+ 107	+ 34	+ 327
Zus. (8)	+ 1579	+ 555	+ 800	+ 1415	+ 169	+ 1064
1) 1 Rubl entspricht 1,39 US-\$ (1975), 1,33 US-\$ (1976), 1,36 US-\$ (1977), 1,47 US-\$ (1978) und 1,53 US-\$ (1979).						
Quelle: Außenhandelsjahrbücher der UdSSR, Außenhandel (UdSSR), Nr. 3/1980, Beilage.						

Key:

1. Partner countries
2. In million transfer rubles
3. Bulgaria
4. GDR
5. Poland
6. Romania
7. Hungary
8. CEMA
9. 1) 1 transfer ruble equaled \$ (U.S.) 1.39 (1975); \$1.33 (1976); \$1.36 (1977); \$1.47 (1978); \$1.53 (1979)
10. Sources: USSR foreign trade yearbooks; VNESIGNYAYA TORGOVLYA, No 3, 1980, Supplement.

In their trade with the socialist countries,<sup>10</sup> the smaller East European states generally produced more or less balanced results. Here, too, imports increased at a markedly slower rate (7 percent) as compared to exports (11 percent). However, the increase in the prices of Soviet raw materials caused serious problems for these countries. Even though as a result of the pricing regulations in CEMA intra-bloc trade<sup>11</sup> the oil prices were always clearly below the world market prices<sup>12</sup> (i.e. by 20 to 40 percent in the individual years), the states were not able to offset the deterioration of their terms of trade by correspondingly larger commodity shipments. It appears that with the exception of Romania, which so far

had not imported to any significant extent sources of energy from the USSR, all states had to contract loans with the USSR to finance the higher raw material prices. Since 1975, the first year of raw material price hikes by the USSR, the trade deficit of the East European states (excluding Romania) vis-a-vis the Soviet Union has been growing to approximately 4.3 billion transfer rubles; of this total, approximately 1 billion accrued in 1979.<sup>13</sup> This problem will be intensifying in the next few years.

In regard to the trade with the Western industrialized countries, "diminution of new debts" was the primary objective. This applies above all to the smaller CEMA states, whose net indebtedness amounted to approximately \$41 billion at the beginning of 1979; one-fourth of the current foreign exchange proceeds was used to defray the interest on this debt.<sup>14</sup> In 1979, their exports to the Western industrialized countries increased by 20 percent and thus twice as much as imports; but this development is attributable primarily to price increases and to a quicker rise in total imports of the OECD countries, not to improved market positions of the CEMA states. Thus the increase in Polish exports was for the most part (90 percent) the result of price hikes. All in all, the deficit of the East European states (excluding the USSR) decreased only slightly, namely by 0.5 billion to \$ (U.S.) 5.7 billion. Only Bulgaria was able to balance exports and imports. The net indebtedness of these countries can be assumed to have increased. Poland is confronted with a particularly difficult situation: Its financing needs for 1980 amount to \$ (U.S.) 7.5 billion, i.e. a 40-percent increase over the 1979 export proceeds realized in merchandise traffic with the OECD countries.

The Soviet Union greatly benefited from the renewed raw material and oil boom. Calculated in transfer rubles, its exports to Western industrialized countries increased by 46 percent (imports: + 19 percent). Thus the USSR was able to reduce its deficit to just under \$ (U.S.) 1 billion (1978: \$3.6 billion). In the trade with the United States alone, the Soviet deficit amounted to \$3 billion. On account of gold sales in the amount of approximately \$ (U.S.) 4 billion, the Soviet Union again had no need to contract loans in Western markets.

On account of the foreign trade-related difficulties, the smaller CEMA states have to keep producing export surpluses. Thus the latitude remaining for investments and improvements in the standard of living is quite restricted. Since economic growth in the Western industrialized countries will fall short of the growth rate attained in the preceding year, the prospects for attaining the payments balance objective do not appear to be favorable. Against this background, the economic difficulties of the CEMA states are likely to become more serious.



Table 7. Trade Deficit of the CEMA Countries Vis-A-Vis the Western Industrialized Countries<sup>1)</sup>

2) Berichtslander		1971 -1974	1975	1976	1977	1978	1979
1) In Mrd. US-\$ <sup>2)</sup>							
Bulgarien 3)	3)	0,6	0,8	0,4	0,4	0,4	0,8
CSSR		0,9	0,6	0,7	0,6	0,6	0,6
GDR <sup>3)</sup> 4)	4)	2,5	1,1	1,4	1,3	1,2	2,1
Polen 5)	5)	3,9	3,1	3,3	2,5	2,1	1,5
Rumänien 6)	6)	0,9	0,4	0,6	0,4	0,6	1,0
Ungarn 7)	7)	1,0	0,6	0,5	0,7	1,2	0,7
RGW(6) 8)	8)	9,9	6,6	6,3	9,9	6,5	9,9
USSR 9)	9)	2,1	6,0	4,4	2,4	3,6	6,8
RGW(7)		12,8	11,5	10,7	8,3	10,1	6,7

10) OECD-Länder, für die GDR sog. kapitalistische Industrieländer - 2) 1 US-\$ entspricht 0,722 TRbl (1975), 0,754 TRbl (1976), 0,737 TRbl (1977), 0,681 TRbl (1978) und 0,655 TRbl (1979) - 3) Einschl. innerdeutscher Handel

Quellen: Außenhandelsstatistiken und Statistische Monatshefte sowie Planerfüllungsberichte der RGW-Länder. Angaben für 1979 vorläufig bzw. Schätzungen

**Key:**

1. In billion U.S. dollars
2. Countries under review
3. Bulgaria
4. GDR
5. Poland
6. Romania
7. Hungary
8. CEMA
9. USSR
10. 1) OECD countries; for the GDR, so-called Capitalist Industrial Countries. 2) 1 U.S. dollar equaled 0.722 transfer rubles (1975), 0.754 transfer rubles (1976), 0.737 transfer rubles (1977), 0.681 transfer rubles (1978), 0.655 transfer rubles (1979). 3) Including inner-German trade.
11. Sources: Foreign trade statistics, monthly statistical reports and plan fulfillment reports of the CEMA countries. Data for 1979: Estimates or tentative.

**FOOTNOTES**

1. Bulgaria, CSSR, GDR, Poland, Romania, USSR and Hungary. The economic situation in the GDR is not discussed in detail here (see in this regard: Doris Cornelsen, ed., "Foreign Trade-Related Difficulties Diminish Growth Prospects. On the Situation of the GDR Economy at the Turn of the Year 1979/80," DIW-WOCHENBERICHT, No 6, 1980. Nor do we discuss the non-European CEMA members (Cuba, Mongolia, Vietnam).
2. In East Europe, the contributions of the private and public services sectors are not included in the GNP calculation.

3. Now as before, in analyzing the economic development in the CEMA states, one encounters specific difficulties concerning statistics and information. The data concerning plan fulfillment are naturally tentative and the planned growth rates are based on the results of the preceding year anticipated by the planning agencies. However, the crucial fact is that--the contrary commitment of their governments in the CSCE Final Act notwithstanding--the statistical reporting of the CEMA countries has so far not fundamentally improved. In many areas, there are no data whatsoever (e.g. balance of payments) and only in a few instances can these gaps be closed by estimates. Moreover, frequently there is uncertainty as to whether the rates of change published refer to nominal or real values, since explanations concerning the price basis are--probably deliberately--withheld (e.g. development of foreign trade). Finally, in regard to many data, it is impossible to assess the informative value (e.g. real income of the population), since the method of investigation is not explained.
4. See "The Economic Survey in Europe in 1979. Part I. The European Economy in 1979," chapter 3: "Recent Economic Developments in Eastern Europe and the Soviet Union," Table 3.6.
5. Rounded off to half a percentage point; tentative and in part estimated data.
6. See HOSPODARSKE NOVINY, No 6, 8 February 1980.
7. According to recent estimates of the U.S. Department of Agriculture, in the 1979/80 fiscal year, which ends on 30 June, the USSR will import a total of 30 million tons of grain (including corn) from the West (1978/79: 15.1 million tons; 1977/78: 18.4 million tons). See FINANCIAL TIMES, 16 April 1980.
8. In this regard, one must take into account that the GDR and the USSR do not publish any price indices.
9. In quantitative terms, there is still a slight surplus of 3.5 million tons SKE [hard coal units] (1975: 10 million tons SKE).
10. Aside from the non-European CEMA states (Mongolia, Cuba, Vietnam), Albania, North Korea and the People's Republic of China.
11. The foreign trade prices are to be annually adjusted to the average world market prices of the preceding 5 years.
12. This is the result of a hypothetical calculation. See in this regard: Jochen Bethkenhagen and Horst Lambrecht, eds., "USSR-GDR Trade Marked By Diminished Growth," DIW-WOCHENBERICHT, No 7, 1980.

13. In contrast to Soviet foreign trade statistics, Poland shows a trade surplus (145 transfer rubles) vis-a-vis the USSR, which is "in part attributable to the accounting of the third construction stage of the Orenburg-Soviet Western Border pipeline." See "Polish Foreign Trade in 1979" (in Polish), RYNKI ZAGRANICZNE, No 17, 1980. This appears to confirm our assumption that the East European states' slight 1978 deficit vis-a-vis the USSR is attributable to the accounting of the Orenburg pipeline by the Soviet Union (Orenburg Effect). See: Jochen Bethkenhagen, Maria Lodahl, Heinrich Machowski and Maria Elisabeth Ruban, eds., "Increasing Growth Difficulties in CEMA," DIW-WOCHENBERICHT, No 20, 1979.
14. See Heinrich Machowski, ed., "Temporary Upswing in East-West Trade," DIW-WOCHENBERICHT, No 42, 1979.
15. According to information by the Polish deputy minister of finance, the interest charge totals \$ (U.S.) 1.8 billion, and the repayment amount, \$5.8 billion; the export proceeds, on the other hand, are expected to amount to \$8.6 billion. See HANDELSBLATT, 26/27 April 1980.

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CEMA COOPERATION IN AGRICULTURE, FOOD INDUSTRY

Prague HOSPODARSKE NOVINY in Czech 6 Jun 80 p 3

[Article by Engr Josef Kraus, CSc, Institute for Research in Agricultural and Food Economy: "Basic Direction of Exports; Program of Long-Term Goals in Cooperation Among CEMA Member Nations in Agriculture and the Food Industry"]

[Text] In 1978 the 32nd session of the Council of Economic Mutual Assistance approved a program of long-term goals of cooperation among CEMA countries in agriculture and the food industry. The program is part of the uniform strategy of cooperation among these states in seeking out possibilities for meeting their needs through the most expedient utilization of each country's own resources and their overall reserves within the community. Its main objective is to satisfy the valid nutritional needs of the population and create essential reserves for stable growth of the economy. Achieving this goal is particularly dependent on the growth of agricultural production in each country and on the expansion and intensification of the international division of labor and of mutually beneficial economic and scientific-technical cooperation.

The consumption of food in the CEMA community is relatively high, and its caloric value exceeds the worldwide average by 25 to 35 percent. But there are certain deficiencies in its structure. Consumption of animal proteins, for example, is about 10 to 30 percent lower than that required for nutritional needs, fruit and vegetables are 30 to 50 percent lower, and vegetable oils 10 to 20 percent lower. Among the member states there are also significant differences in the consumption of essential foods from the standpoint of valid nutritional norms. If we consider the consumption of meat in the CSSR, milk in the PLR [Polish People's Republic] and fruit in the BLR [Bulgarian People's Republic] and MLR [Hungarian People's Republic] on a par with 100, then in the other countries meat would fluctuate between 52 and 95 percent, milk between 44 and 77 and fruit between 47 and 77 percent.

## From Program to Profile

The CEMA member states have adequate natural conditions needed to produce a sufficient quantity of food, soil and water resources for agricultural development, and conditions of water management favorable for the catching and breeding of fish. Their agricultural land consists of almost 751 million hectares.

Temperature conditions, amounts of moisture, and the corresponding agro-technology make it possible for the Soviet Union and the northern group of Council states (CDR, PLR and CSSR) to achieve high yields of wheat, rye, barley, potatoes, sugar beets, vegetables, and bulk fodder crops. In the southern tier of states and in the south of the USSR conditions are also suitable for raising corn, southern fruits, grapes, tobacco, oil-bearing plants, and, with the use of irrigation, rice and soybeans. All CEMA countries also have conditions favorable for the development of essential kinds of animal production. The Mongolian People's Republic has possibilities for further expanding the production of fodder crops as well as certain grains and sheep and cattle breeding. In the Vietnamese Socialist Republic and in Cuba it is possible to obtain up to three crops of rice and corn and to cultivate efficiently sugar cane, tobacco, coffee, tea, and various tropical fruits. The Council states have great possibilities for developing fresh-water fishing as well as fish breeding in coastal shelf waters.

The Council states are making relatively intensive use of their natural wealth. Yields exceed worldwide averages by almost 15 percent. But there is still a considerable potential, especially in connection with industrializing agricultural production and utilizing industrial technology in the production of fish.

Therefore the goals of the program of cooperation in agriculture and the food industry are directed in all the CEMA member states towards:

- more intensive production of grain and raising of farm animals;
- development of a local feed base;
- further acceleration of production of basic agricultural and food products (meat, eggs, vegetable oils, fresh-water fish);
- development of production and increased mutual exchange of a number of other products (sugar, fruit, vegetables, potatoes, cotton) based on the utilization of favorable natural conditions in the individual countries;
- joint utilization of sources of food and raw materials in the world's oceans.

Consequently, the program of long-term goals in cooperation is directed toward a solution of the currently existing disharmony between attempts



of each country to assure production of essential products from its own resources and the necessity of making most efficient use of given natural and economic conditions in food production. At the same time, the program makes it possible to gradually create opportunities for the development of an export profile of one or another member country in the agricultural-industrial sphere. This profile should consist of a group of products which result from a combination of mutually interacting national products on a relatively like technical level.

#### Basic and Supplementary Subsystems

Formulating an export profile in the agricultural-industrial sphere is a complicated process, more complicated than in industry or other national economic branches. It is dependent on natural economic conditions and geographical location. For the same reasons it is also more stable and comprehensive. Its creation is dependent on long-term international specialization of the individual states and the formation of an efficient subsystem within the framework of the agricultural-industrial complex.

Cooperation directed at the formation of an export profile makes it possible for member states to concentrate on the production of a smaller number of agricultural products and also assures uniform application of scientific-technical advances in all branches of this complex. In essence, it is a matter of creating stable basic subsystems--directed at meeting domestic needs--and supplementary subsystems--directed toward export. The subsystems should include the entire production cycle, from raw materials up to the final product. In this way opportunities will be found for broad and multilateral cooperation among participating member states. Those states that concentrate on specialized production will at the same time assure high technical standards and profitability in their respective export branches.

All necessary measures encompass customary safeguards for the subsystems from various aspects. These subsystems refer to grain, fodder proteins, meat and meat products, sugar, fruit, and a number of other products. In all, the long-term program in the food and agriculture sector is expected to include 62 comprehensive measures for intensifying cooperation among CEMA member states.

#### Measures and Results Expected

The basis for further development of animal production and expected requirements of eggs, milk, and meat is a corresponding increase in the feed supply. To meet the growing needs for animal production it is necessary to increase the production of wholesome feed mixes by 100 million tons, which is double the current level of production. It is also necessary to introduce new efficient varieties of grain which high protein content, especially amino acids; implement modern technology for cultivating these fodder crops; increase the utilization of feed from the wastes of the meat and dairy

industry and the industry for processing fish and other branches of the food industry; and improve the efficacy of these feeds by the addition of other essential components, biochemical preparations, and the like. The precise measures taken within the framework of the program of long-term objectives will contribute significantly toward meeting these goals.

The production of grain in terms of a single inhabitant should reach 1 ton by the year 1990, or 430 million tons for the entire community.

By the use of new technology alone, without increasing production, it is possible to obtain 3 million tons of protein from oil-bearing plants and, by efficient procedures in processing wastes of the meat industry, to increase the production of bone meal by 3 to 5 percent.

Measures for broader joint use of breeding stocks of farm animals and further improvements in the techniques and development of the processing technology in these branches will be very important for increasing meat and milk production. The significance of adopting joint procedures will also be seen in the basic subsystems of production of feed and grain, and animal production, and consequently will also aid in the export orientation of the individual countries. Specifically, in the Mongolian People's Republic, by acquiring portions of the virgin soil and building state farms in the northern part of the Gobi zone and the region of Chalkyn Golu with the participation of other interested states, it will be possible to obtain new sources of feed and increase the export of meat to interested CEMA member states.

Meeting the goals of the program will contribute to more efficient sugar production within the framework of the given subcomplex. Cooperation is directed toward the selection and development of new types of seeds and improving the technology of the cultivation and processing of sugar beets. It is hoped to reduce losses in storage and increase sugar production by about 1 million tons annually.

On the basis of participation of interested CEMA member states in the joint processing of sugar cane in Cuba, deliveries of sugar to the Council states will increase substantially, and Cuba's export opportunities will expand.

Cooperation in the cultivation of fruit, vegetables, wine grapes, and certain kinds of citrus fruits will aim toward creating a broader export market for the BLR, MLR, RSR [Romanian Socialist Republic] and Cuba. An agreement has already been prepared for international specialization of production in moderate climatic zones of certain kinds of fruits and vegetables, either fresh or processed, and the deliveries of these products to interested Council member states. Participation of European states in the production and processing of subtropical kinds of fruit in Cuba will, for instance, make it possible to increase their importation to 2.4 million tons annually by 1990. Thus Cuba will obtain a stable export profile, as well as a supplementary source of feed from the waste products of fruit processing.

Cooperation directed toward improving techniques and technology of industrial methods of breeding fish in all countries will make it possible to increase their annual production from 250,000 tons to 900,000 tons. In addition, on the basis of joint investment participation, it is expected that joint fishing and processing of Antarctic krill will provide additional sources of feed and feed protein.

It is also planned to process fully all kinds of wastes from the food industry and thus obtain additional feed protein sources. Cooperation in perfecting the processing technology for oil-bearing plants will enable member states to obtain annually up to 1 million tons of quality protein meal.

In order to systematically promote export profiles of member states in the agricultural-industrial complex it is also necessary to take appropriate measures in nonagricultural branches, particularly in agricultural engineering, chemistry, and microbiology. This especially involves concentrating the scientific-technical and productive potential of the CEMA member states on efficient production of a smaller selection of models of machinery and equipment and chemical preparations and developing new machinery which would be manufactured in CEMA member states.

For example, in the Soviet Union plans have been made to expand the production of chemical preparations with relatively high energy and material demands (ammonia, polyethylene, methanol). These would be exchanged for less energy-demanding chemical products from the other member states (including production of chemical preparations for the protection of plants). Future CEMA requirements for nitrogen fertilizer will be met by domestic production and phosphoric fertilizer on the basis of the division of labor with third countries.

#### Productive and Cooperative Relations

Up to the year 1990 and also in the period following, the program of long-term goals in cooperation will be the basic form of determining the export orientation in a given sphere. It cannot, however, solve all problems of the agricultural-industrial complex; some parts will have to be handled by long-term agreements on specialization, bilaterally and multilaterally. Both forms will have to be utilized to the optimal extent.

The concept of creating an export profile can also be used in compiling a prognosis of the directions of mutual cooperation among CEMA member states and cooperation with other developing countries as well as with developed capitalist states.

Even the 32nd session of CEMA in 1978 emphasized that it is necessary to consider the possibility of expanding supplies of agricultural production on the basis of mutually beneficial cooperation with selected developing countries. Member states can thereby obtain part of the production which

in their own countries is limited by natural conditions or which cannot be obtained at all within the CEMA framework. In addition, this kind of cooperation shows possibilities for obtaining certain raw materials needed for the production of industrial fertilizers.

The developing countries' share in the exchange of foreign trade among CEMA member states with products of the agricultural-industrial complex was about 29 percent in 1977, a significant portion of which represented the import of southern fruits and especially also coffee, cocoa, and tea.

It is possible for CEMA member states to participate usefully to a much greater extent in deliveries of capital investment units and technology to these countries and to expect compensation for these exports by greater deliveries of agricultural products. It need not be emphasized that a number of these countries has available adequate natural resources to increase the production of basic types of agricultural products.

Certain conditions are already being formed for more extensive productive cooperative relations among CEMA and the developing countries. There is already cooperation in the construction of specific projects in agriculture, fishing, and the refrigeration and food industries, as well as participation in the construction of individual projects in the fields of agricultural engineering, chemistry, and such. Even mixed companies are emerging. For example, the MLR, RSR and the USSR are building agricultural-industrial complexes and irrigation systems in certain Asian developing countries. The MLR exports (especially to Iran) seeds, plants, animals for breeding, and the like. Bulgarian-Hungarian commercial companies for trade in fresh and frozen fish are actively developing, and mixed companies for developing fishing are being formed (GDR and PLR with India).

Also of great importance are relations of CEMA member states with developed capitalist states. Certain capitalist states have already become traditional importers of raw foodstuffs and foods but also exporters of certain products to CEMA member states. Recently cooperative production structures were also formed. For example, Bulgaria, together with Italian supply firms, built up a large combine for processing canned goods. Romania, with the participation of Dutch and French firms, produces large-scale greenhouses and, in collaboration with British firms, irrigation systems. In Poland, in cooperation with American firms, the production of selected types of agricultural machinery has developed.

Such cooperation contributes to the efficient international division of labor and is included in long-term economic development plans of CEMA member states.



CONTRIBUTION OF INDIVIDUAL ANIMAL RAISERS EVALUATED

East Berlin PRESSE-INFORMATIONEN in German No 78, 3 Jul 80 p 6

["Facts and Figures" Report by Press Office of Chairman, GDR Council of Ministers: "Meat, Eggs, Honey and Wool From Individual Animal Raising")

[Text] By providing the products obtained from their own animals, small animal raisers are contributing significantly to supplying the population with eggs, fowl and rabbit meat, honey, beef and pork. Small animal raisers supply raw animal products to the processing industry.

The livestock owned privately by the households of cooperative farmers, members of the VKSK [Union of Small Gardeners, Settlers and Small Livestock Breeders] and small animal raisers provides approximately one hen egg out of three, one kilogram of goose meat out of three, almost all the rabbit meat and nearly all the honey produced nationally. In addition, they use a considerable proportion of the eggs, fowl meat and honey produced for their own consumption.

The SED Central Committee, and the Council of Ministers of the GDR have adopted regulations of principle to promote and support private animal raising, for instance in the resolution of the Council of Ministers dated 15 September 1977, concerning "tasks and measures to promote the activity of the VKSK in the GDR and the initiative of its members." Effective long-range economic regulations--advantageous producer's prices are paid, price bonuses are granted and feed and young animals made available--support the efforts of small animal raisers.

As a result of this resolution, the responsibilities of local city and community state organs in encouraging and providing general support to private animal raisers have been increased and their efforts intensified.

In 1979, 36 percent of the national egg production came from the private henneries of LPG members, and from other small animal raisers and members of the VKSK. Next to those working in industrial-scale facilities, private hen raisers also contribute to provide stable and uninterrupted supplies to the population.



The state grants them generous support. For instance, the number of pullets made available to them increases every year--it increased by one fourth between 1975 and 1979, and has now reached 6.25 millions. The number of layers from industrial-scale egg farms which were handed over for utilization during their second laying period has also increased. In addition, animal raisers receive feed grain when they sell hen eggs. All these measures have enabled them to ensure the stability of egg production.

The breeding and raising of rabbits is a tradition well followed in private animal raising. Ninety-five percent of the rabbit meat offered for sale comes from private raisers. Many cooperative farmers and workers employed in agriculture or in the industry occupy their leisure with this interesting hobby. The VKSK initiative, aiming at having its 40,000 breeders of purebred rabbits produce not only breeding animals but also more rabbit meat to supply the population, also deserves recognition. Rabbit skins are a much-wanted material in the fur and hat industry.

All the reserves of private animal raising must be called on to increase goose production. At present, they produce less than one third of the total goose meat production. In recent years, members of the VKSK have undertaken considerable efforts to increase the goose population and to build up recognized breeds.

Among the possible ways to increase production among private raisers are, above all, the greater utilization of pastures and the purposeful utilization of the feed supplied when goose fattening agreements are concluded.

Nearly 38,000 spare-time beekeepers belong to the VKSK; they take care of approximately 470,000 swarms and supply 40 percent of the annual honey supply. This represents all of the national production. Sixty percent are imported. In addition, beekeepers play an important part in increasing plant production and orchard yields by placing their mobile hives near fields and fruit-tree plantations.

Each year, private animal raisers send a large number of animals to be slaughtered. To raise these, they use many forage and stable capacity reserves. In 1976, they produced 183,800 tons of pork (this includes their own consumption), i.e. 12.8 percent of the total supply. In 1979, production reached 206,600 tons, representing 14.3 percent of the total supply. For beef and mutton, 68,401 tons were produced in 1978 (19.5 percent of the total production) and 70,800 tons in 1979 (19.1 percent of the total production).

The state supports the initiatives of private animal raisers by making feed available and by paying advantageous producer's prices for cattle and hog fattening contracts, the keeping of sows and the production of piglets. This has paid off as an increasing number of contracts have

been concluded. Thus, while 777,000 contracts for hog fattening were concluded in 1978, 911,000 were concluded in 1979. For cattle, the number of contracts increased from 94,000 in 1978 to 107,000 in 1979. In 1978, there were 162,000 contracts signed with private animal raisers for the production and sale of piglets; this number had already increased to 420,000 in 1979.

At present, only about 10 percent of the industry's sheep wool requirements are covered by sheep-raising in our LPG's, VEG's [state farms] and by private animal raisers. In 1979, the pure wool produced by private animal raisers represented approximately 26 percent of the national supply. LPG's, VEG's and also private animal raisers are multiplying their efforts to develop sheep raising.

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DEPUTY MINISTER INTERVIEWED ON FUTURE OF WATER, AIR TRANSPORTATION

Budapest MAGYAR HIRLAP in Hungarian 6 Jul 80 p 5

[Interview with Gyorgy Onozo, deputy minister of transportation and postal affairs by Jozsef Fahidy: "The Future of Water and Air Transportation"]

[Text] According to the resolution of the 12th party congress: "The growth of production and its increasing specialization, expansion of domestic cooperative relationships and of international cooperation increase demands on transportation. Various transportation branches must be developed in a coordinated manner... Better exploitation of the opportunities concealed in transportation on the waterways continues to be an important task." Our reporter, Jozsef Fahidy asked Deputy Minister Gyorgy Onozo for answers to a few questions in this topic area.

[Biography] Gyorgy Onozo was born in Kispest in 1931. He is a mechanical engineer specializing in automotive transportation. He graduated from a university in the Soviet Union in 1955.

He worked in industry for several years, at the Csepel Automotive Factory among other places. Since 1963, he has been a department head at the International Main Department of the Ministry of Transportation and Postal Affairs (KPM). Since 1976 he was the head of KPM's Technological Main Department. He was appointed deputy minister in January of this year. He has authored a number of technical articles dealing with transportation.

[Question] What is your opinion of the situation of and this year's opportunities for transportation as a branch for earning foreign currency?

[Answer] When we transport foreign travelers or haul foreign goods on Hungarian vehicles, the fee paid for it is foreign currency earned. When we transport Hungarian passengers or goods abroad on Hungarian transportation equipment, we are decreasing our foreign currency expenditures. Thus, in transportation, earning foreign currency and saving foreign currency have the same significance. One important precondition is that the

foreign tourism, foreign trade and transportation organizations should improve their cooperation. Today the foreign trade authorities more and more frequently also involve transportation experts when significant export-import deals are made, and, together with the merchandise, we also try to sell our transportation services.

Almost one-fifth of the total income of our transportation and communication enterprises is foreign currency (socialist and capitalist together). These incomes are largest at the MAV [Hungarian State Railroad], MALEV [Hungarian Air Transport Enterprise] (together with the Air Traffic and Airport Authority), the HUNGAROCAMION [Hungarian International Automotive Transport Enterprise] and MAHART [Hungarian Shipping Company, Ltd] enterprises. The result of our frugal operation is that our foreign currency expenditures amount to about 30 percent of our foreign currency income. Our net foreign currency income dynamically increases every year, averaging 15 percent a year. In spite of our favorable results, the national economy has a deficit in its foreign currency balance in transportation. The reason for this is that the total foreign currency our foreign trade has to pay for the export and import transportation of Hungarian foreign trade goods is more than the Hungarian transportation enterprises can earn.

[Question] Thus, it would be justified for transportation to earn and save more foreign currency than before.

[Answer] Our investment opportunities are sufficient to primarily maintain the level of our capacities. Our enterprises increasingly concentrate their efforts on improving the quality of their operation, increasing the efficiency of their business activities. There are already a number of good examples of intensive developments which also serve to earn foreign currency, and even more of these are taking shape now. Computer technology is receiving an increasing role with the spreading of comprehensive operational management and organizational methods at the MAV, at VOLAN [Domestic Bus and Truck Transportation Enterprise], at MALEV and at HUNGAROCAMION.

Our enterprises interested in international transportation offer their resources first to Hungarian foreign trade. However, it happens on occasion that they do not have sufficient capacity, which, of course, is felt variously in terms of space and time and differs with the branch of transportation. On occasion, there is a surplus of capacity at some enterprises, therefore the emphasis there must be placed on exploiting their capacities. This periodic contradictory situation is compounded by the fact that there is also fierce competition on the international freight market. The parties interested in and affected by the transportation process only together can find the solution for this. In recent years--a little bit also under the effect of force--the organized relationship between foreign tourism and foreign trade enterprises as well as the relationship among transportation enterprises dealing with international freight hauling, their system of cooperation has improved greatly.

[Question] Even though we have no seashore, our shipping on the seas is being "recorded." How well is this branch of transportation growing?

[Answer] It is being recorded indeed. Most of our seagoing ships are the modern products of the Soviet, Polish and Bulgarian industries. In 10 years, carrying capacity increased 220 percent, transportation performance 310 percent, and MAHART's net foreign currency income increased more than eightfold. Hungarian ships decrease the national economy's foreign currency expenditures paid for sea transportation, and with their available capacity they accept jobs on the international freight market, thus producing foreign currency.

The INTERLIGHTER International Shipping Enterprise, established in 1978 with Bulgarian, Czechoslovak, Hungarian and Soviet participation, forms the link between shipping on the seas and transportation on the rivers. Through this, the use of one of the most modern transportation technologies, the barqueshipping system has become possible in the Danube-India-Far East traffic. The essence of this is that the seagoing mothership carries several dozen riverbarques on the ocean. Each year several hundred thousand tons of goods can thus be forwarded without reloading. The enterprise's income already exceeds its expenses.

The stalled growth of the world economy is causing sharp competition in maritime commerce. Hungary's fleet of seagoing ships can conform to this flexibly. We are not expecting extensive development in the Sixth Five-Year Plan. The enterprise's task is to solidify its position on the freight market and to be punctual in repayment of the loans taken out for development purposes, just as it has also done in the past.

[Question] Waterway transportation is the least expensive of all forms of transportation, yet within our borders we are not taking sufficient advantage of this. Why?

[Answer] Let's put the expression "least expensive" in quotation marks. This is true only if the merchandise is already on the ship or barge. In our country, there are relatively few plants located "really" on the waterfront. From the producer or user--most of the time, both--the merchandise has to be transported by railroad or public highway to and from the ship, with several reloading steps. For the most part, only that waterway transportation is economical which is connected to direct transportation within an operation. Construction of industrial ports is also a prerequisite for increasing waterway transportation. This is often omitted when we establish new industrial sites. Why? Water supply on the Danube and Tisza rivers still fluctuates significantly. In the winter the rivers freeze. Therefore waterway transportation is not suitable for servicing all production processes. A plant set up to be served by railroad finds it difficult to change over to be served by waterway or combined transportation. It is also a problem that within the country loads can generally be obtained only one way. The direction of our major waterways is North-South, while the main direction of the flow of merchandise is East-West.



In spite of all these things, it is certain that the volume of waterway transportation will increase moderately. The long-range development of the Danube-Maine-Rhine waterway can also help this.

In compliance with the government program concerning implementation of the transportation policy, we are undertaking several measures in cooperation with the shippers. Among these are: at new industrial and agricultural investments and at the expansion of existing ones, planners must also take into consideration the exploitation of waterway transportation as an alternative. The main principle is that the branch which is most efficient at the national economic level should handle the transportation task. The technology of waterway transportation of goods is going through fundamental changes. Towing barges with tugs is being gradually replaced by the more modern and more economical pushing and self-propelled shipping. We can see possibilities for building industrial ports and loading facilities for shared use.

[Question] How far along is the development and modernization of our air transportation?

[Answer] We have scheduled flights to 39 cities in 26 countries. Last year the cities of Baghdad, Kuwait and Saloniki were added to our network. This year we will not be adding new routes but we will increase flight frequency by about 10 percent.

The dynamics of our air transportation growth in recent years surpassed the world average growth rate. Last year the MALEV increased its performance by about 22 percent over the previous year. This year it plans to carry more than 900,000 passengers.

All the conditions are there for MALEV to fulfill its Fifth Five-Year Plan also. But in my opinion the most important thing is that during the last 5 years the confidence in MALEV has increased here at home as well as abroad. The enterprise is recognized also by the foreign airlines as a reliable and correct partner. The task is to improve the circumstances of international passenger transportation and reception each and every day. The passenger expects more and more from this branch, as the "mass transportation" of the future. Even if the larger half of the ticket price is paid for him by the state. Perhaps many people do not know this.

In our foreign trade, movement of goods as a whole, the ratio of freight transportation by air is extremely small, but its significance is increasing in the export-import of certain special goods. Last year, MALEV planes carried 14 percent more freight than in the previous year. This year, they plan to carry 20,000 tons of merchandise. Maintaining competitiveness also causes some problems for the enterprise.

This year 320 new air traffic specialists will graduate. Airplane pilots, air traffic controllers and aeronautical engineers studying in the Soviet Union are among them. Our domestic institutions are training 220 repair and maintenance specialists. The first stage of improving the Ferihegy

airport and air traffic control will be completed in 1983. Next year the new air traffic control system encompassing the entire country's air space will begin operation. The present control also completely satisfies the safety requirements of air travel, but this development will make it possible to increase the throughput capacity of the air lanes running through the country which is necessary to serve the growing European air traffic and for increasing our foreign currency income.

The new takeoff and landing runway's outlines under construction parallel with the present one are already beginning to be recognizable at Ferihegy. It will have to satisfy the very high international requirements known at this time. We plan to place it into operation in the spring of 1983. Two large hangars and several modern repair shops are also under construction. The hangar's steel structure has already been completed, and inside work is under way in the shop sections. We plan to place into operation the new technical base in 1982.

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# HALF YEAR PRODUCTION RESULTS AT SELECTED FIRMS VIEWED

Budapest NEPSZAVA in Hungarian 6 Jul 80 pp 1, 3

[Article: "Results and Problems of Industry, Agriculture and Foreign Trade"]

[Text] Midyear is a time for preparing balance sheets at enterprises and cooperatives. Our roundup tries to report on how well some enterprises in industry, the construction industry, agriculture and trade "passed" the first 6 months, how well they lived up to their own advance plans, how well they wrestled with the changes caused by the (new) regulators, with the increasing demands posed by the domestic and foreign markets, with the problems of production and material supply. The report is also a little bit of a mirror, a little bit of assistance; the successes and failures provide somewhat of a crutch also for the action programs of the coming months and years.

The GANZ-MAVAG [Hungarian State Iron, Steel and Machine Factories] closed its first quarter with slight losses, but closed the half with a profit. This is how we could characterize in one sentence the efforts of the giant enterprise's 16,000 workers in the first 6 months of 1980. Another datum: the enterprise fulfilled 46 to 46.5 percent of the annual plan, which is less than the time-proportional 50 percent. However, without some explanation this information is misleading. That is, this number is not higher only because a more significant portion of the products of long production runs can be shown as result only in the second half of the year.

There is also an increasing demand for the enterprise's products abroad since nearly half of them are among the most modern products and are economical. Credit for this latter is due primarily to the fact that the enterprise's productivity (just like in all of the recent half-year periods) increased by almost 10 percent in the first half year.

In the CHINOIN Pharmaceuticals and Chemical Products Factory many expensive imported materials are used in the production of pharmaceuticals and plant protection chemicals. Therefore, in addition to fulfilling the production and profitability plans, they consider frugality with raw materials to be

one of their most important tasks. It is a credit to the frugal methods that in the first 6 months of the year they used '1 million forints' worth of raw materials less than was planned.

The largest saving in the Chinoim--3.2 million forints--was achieved in the Nagyteteny factory unit with their intermediate material called Denomil. Some 2.4 million was saved with the Karbofuran plant protecting chemical. Material and energy savings were significant--2 million forints--also with the Furoxon veterinary medical material.

In the first half of this year the construction industry felt the tightening of the investment market. Demand for construction decreased and a virtual balance has developed in the tension between implementation opportunities (capacities) and the quantity of orders. Nothing proves this better than the fact that in the first 5 months of this year the sum of rejected construction orders decreased 30 percent compared to the same time period last year. Unaccepted work totals only 8 percent of the industry's production value. (Four years ago this ratio was 40 to 45 percent.)

This half year also brought changes in the structure of construction. The ratios have shifted in favor of maintenance work. Housing construction is not free of problems, especially in the capital where, in spite of efforts, they were unable to roof the planned number of homes. The extent of restorations and repairs is higher than planned and are fully in accord with the national economy's goals. Acceleration of these jobs makes it possible for the construction industry to fulfill its restoration, modernization and maintenance tasks, prescribed in the Fifth Five-Year Plan, by the end of this year: Restoration of about 75,000 state-owned apartments will be completed, and, within this, 20,000 units will be modernized and turned over to the residents. This way by the end of the plan time period the ratio of renovated apartments will reach 72 percent.

During the first half, the Danubian Shoe Factory produced somewhat more than 2.3 million pairs of shoes, 2 percent less than planned. The loss of production was caused by material supply problems. The main problem was delays in the delivery of soles. So much so that in many cases dollar-accounting exports could be filled only after the customer supplied the soles. Often even these shipments were late and product quality was unsatisfactory as well. This was the prime reason for being able to export only 74,000 pairs of shoes to Western customers instead of the planned 104,000. They fulfilled the needs of their largest customer completely: Instead of the 685,000 pairs of shoes planned, they sent 717,000 to the Soviet Union.

In spite of the fact that production certainty was also endangered by an uncertain supply of raw materials, our export prices developed favorably. Credit for being able to calculate 5 percent profit in the prices of domestic products is due to the prices realized in exports.

Like many other enterprises, the Danubian Shoe Factory received with great caution the changes caused by the new regulatory system. Therefore, in the first half they implemented only a 2-percent wage increase. Their results made it possible to increase wages by an additional 4 percent on the average, starting on 1 July.

This year HUNGAROTEX Foreign Trade Enterprise for Textile Goods took on a task no smaller than handling 225.5 billion forints' worth of exports to the socialist countries, and 9 billion to capitalist countries. This latter number surpasses last year's by almost 10 percent, while it is public knowledge that demand on the world market is decreasing for textiles. It also makes the situation of HUNGAROTEX and of the industry's enterprises more difficult that raw material supply was less than perfect during the first half; therefore, deliveries fell behind schedule.

In its plans for this year, the foreign trade enterprise has spelled out that it will improve its product structure. It hopes to achieve this primarily by increasing the ratio of goods processed to higher levels of completion. That is, the goal is to decrease the import content of products and at the same time increase added value (stylish designs, new lines).

In the first half, the time proportional plans were fulfilled only in capitalist imports. In spite of this, the opinion at Hungarotex is that there will be no problems fulfilling the above-mentioned export plans.

A successful first half was concluded at the Kiskunhalas State Farm. Spring was favorable to the plantings. The vineyards had a good winter, there was no frost damage to the buds, bud propagation was average, thus crop prospects are promising. Now it depends only on the weather, on a long, warm autumn how sweet the grapes will be, how heavy the butts will be at grape harvest time. An ample harvest is expected in the fruit orchards, especially morellos and apricots; but the yield of winter apples is poorer than last year.

Even though the cool April and sassy May did not favor the growth of corn, it gained strength and lots of leaves by the end of June. The grains have been ripening well and their spikes are large. In spite of the cool spring there is a promise of a rich harvest. Last weekend they began harvesting autumn barley on the farm.

Among state farms, the one in Kiskunhalas produces and sells the most wine. A significant amount of it is exported. Until now, domestic transportation has been smooth but there have been problems with export deliveries.

The price increases of energy, industrial products and services had negative financial effects on the farm, decreased its profit. They try to counteract this by emphasizing quality, and quality work. In this spirit, in the future they will produce even more champagne with good bouquet and regional character, at the expense of lower quality wines.

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## SUBSIDIARY ACTIVITY OF FARMS ANALYZED

AU160637 Budapest MAGYAR HIRLAP in Hungarian 12 Jul 80 p 5

[Article by Jozsef Fahidy: "Profiteering Endeavors Are Also Encountered; Competition for Manpower; the Subsidiary Activity of Agriculture"]

[Summary] "In conjunction with the National Producer Cooperative Council, the Ministry of Agriculture and Food has analyzed and evaluated the subsidiary activity of agriculture. They have concluded that, along with the generally prevailing favorable endeavors, in many cases--with the participation of external forces and persons--abuses and gratuitous profiteering endeavors are also encountered. Their elimination has begun and they have been partially eliminated."

The role of the subsidiary activity of large-scale agricultural enterprises is further increasing in the current plan period. "Last year it earned them approximately 44 percent of their income."

Industrial work--in the areas of the food industry, metallurgy, the machine industry and heavy and light industries--accounts for 42 percent of subsidiary activity. Its rate is 32 percent in the food industry, of which the contribution of state farms is almost twice as high as that of producer cooperatives.

"The income of the large-scale agricultural enterprises, building industry branches and their associations increased 36 percent in the current plan period, although a large portion of this resulted from price adjustments. Because construction in agriculture has declined, producer cooperatives employed part of their capacity on outside orders."

Commerce also counts as a subsidiary activity. "The income of large-scale agricultural enterprises increased 88 percent in the current plan period to date in this sector." Approximately 60 percent of agricultural cooperatives' income accrues from the sale of the products of household plots. "Most enterprises are engaged in commerce. According to the available figures, approximately 1,400 sale outlets and 1,300 restaurants are maintained by cooperatives. It is estimated that 130,000 to 140,000 people are engaged in subsidiary activity in the agricultural cooperatives."

Conditions concerning manpower and employment have radically changed at large-scale agricultural enterprises. In work and membership, the practice of free choice prevails. "In general, job seekers choose the place of work at which they earn the most. The result is that factories and large-scale agricultural enterprises are competing with each other--particularly in industrial counties--in obtaining and retaining manpower."

We have been informed by the National Producer Cooperative Council that it would not be justified to develop further the construction branches of large-scale agricultural enterprises in the next plan period. "While retaining existing capacity, improving their technical equipment and technological standard will be the task. At the same time, in commercial activity, efforts should be made to improve the organization of the sale of products of household plots and ancillary farms through the large-scale enterprises."

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## REQUIREMENTS FOR BALANCING ECONOMY EXPRESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 26, 29 Jun 80 p 2

[Text] Sessions of the Sejm approving the government's reports on the fulfillment of plans for successive years have not always been an object of keen interest. This year's session of the Sejm produced a wide social reaction. This happened not only because the discussion of the vote of approval for the government for its economic activity was particularly analytic, but, above all, because the discussion provided the basis for drawing, from an assessment of the present situation of our country, conclusions which are indispensable for proper implementation of tasks in the current year. And it is a year which is both difficult and important, because it closes one 5-year period and opens the next one.

In 1979 economic development did not proceed easily. On the one hand, the total income of the population continued to increase, exceeding the plan's targets by 17 billion zlotys. On the other hand, difficulties occurred in the implementation of an increase in material production in industry, agriculture, and the building trade. As a result, sales of industrial products and services fell 38 billion zlotys short of the plan's targets. This not only had a negative impact on the domestic market balance, but also limited the possibilities of an increase in exports. The exports of goods and services increased by 10.4 percent to the level of 36.4 billion foreign-exchange zlotys, but the imports increased just as rapidly, by 9 percent, and their value--38.2 billion foreign-exchange zlotys--was 1.8 billion zlotys greater than that of the exports. The increase in exports to second payments area was too slow.

We suffered severe losses in agriculture. Total production decreased in comparison with 1978, receding almost to the 1974 level. The harvest of 4 grain crops amounted to 15.3 million tons and was the lowest in the whole decade of the seventies. This burdened foreign trade additionally with the need to increase imports of fodder. Together with nonimplementation of tasks of decreasing the costs, this caused a decrease of 2 percent in the generated national income as compared with the 1978.

The effects of this complex situation had to influence the whole economic system in the current year, and to a greater degree than previously expected.

And so, a comparison of tasks and resources, possible toward the end of the first half-year, raised the problem of the implementation of the current year plan's tasks in relation to actual capabilities, which is an indispensable condition for a coordinated management of economic problems in these complex circumstances. Therefore all economic units may even now have a clear idea what they can count on in the field of supplies and what is actually expected of them. The target of the revision of the plan is assurance of progress in increasing the efficiency of our economy by increasing the concentration of tasks and resources in those sectors which are of crucial importance for balancing our economy. The question here is, above all, of radically and rapidly improving the balance of foreign trade turnover and obtaining a favorable trade balance with the capitalist countries, and also slowing down the increase of and attaining a decrease in material-intensiveness of production. These are, after all, related tasks, because imports of raw materials and other materials from abroad have a strong impact on all our imports.

The revisions of the plan are of a two-way character, and so both decreasing and increasing the tasks, depending on an assessment of indispensable needs and actual capabilities. In foreign trade, in conformity with the resolution of the Sejm, it is envisaged to increase (in relation to previous targets) exports of goods, services, and construction by 1.3 billion foreign-exchange zlotys (to the level of 62.4 billion foreign-exchange zlotys), while simultaneously decreasing imports by 2.7 billion foreign-exchange zlotys (to the level of 59.7 billion foreign-exchange zlotys), which jointly should bring about the attainment of a favorable foreign trade balance amounting to 2.7 billion foreign-exchange zlotys (the plan before revision envisaged an unfavorable balance of 1.3 billion foreign-exchange zlotys.) In exports, judging by the results of 5 months, there are chances of achieving increased objectives, although this will undoubtedly require maximum effort. Limiting imports will confront a large number of manufacturers with the need to accelerate the process of switching over to supplying the domestic market, and it will partly require changes to be made in production assortment. This will not be easy, but this must be carried out. One should add, however, that imports, with regard to value, will be larger than in 1979 by approximately 1.5 billion foreign-exchange zlotys.

The direction of the revisions which have already been made indicates that in the current year there will be a sharp increase in the competitiveness of market and export production, favoring the indispensable preferred status of foreign trade. Such an action, however, is dictated by the necessity to repay credit obligations, with moderate utilization of short-term and high-interest financial credits. As a further consequence, this is not incompatible with the social standing of market production, because the latter depends to a considerable degree on imports of raw materials which at present can be made feasible only through an export drive. Attaining a favorable balance of foreign trade at present and gradually increasing it in subsequent years is a key condition for balancing the economy on all the remaining levels and assuring further social and economic development.

A task which is supplementary to matters of foreign trade is most rapid possible initiation of a trend toward lowering production costs, including particularly the costs of materials. In a system of basic factors of production, the factors which are in shortest supply and limit total development are, in our present economic structure, objects of work--raw materials and other materials. This limiting action also stems from the fact that their comparative shortage in relation to the remaining factors in turn limits labor productivity and the productivity of fixed assets, and thus it has a direct influence on the entirety of tasks in the field of management efficiency. It is therefore necessary--figuratively speaking--to foster to the utmost technical improvement and economy in the consumption of materials, because in this manner we open the road to increasing management efficiency on all fronts. We should not conceal the fact that precisely in this key area we have not yet achieved desirable progress, and that objective conditions here have a considerably lesser impact than, for example, in the field of agricultural production. On the other hand, a stereotype of quantitative increase still functions in our psychology. This concept relegates the costs of this increase to second place.

The total production of socialized industry (estimated at 1979 prices) decreased in 1979 by approximately 57 billion zlotys, and the costs of materials decreased by approximately 79 billion zlotys, which caused a decrease of approximately 22 billion zlotys in net production. This occurred because, among other things--as representative J. Pinkowski reported in the Sejm--instead of a planned decrease in production costs there was an increase of nearly 39 billion zlotys in these costs. Likewise, in building trade the costs exceeded the plan tasks by over 7 billion zlotys. It is easy to calculate that if the tasks of decreasing the costs in industry and in building trade had been fulfilled, the national income in the past year would not have decreased by the above-mentioned 2 percent in relation to 1978. And not everything in this field can be justified by the exceptionally difficult conditions which we encountered in 1979.

The Sejm resolution concerning the tasks of the socioeconomic plan for the current year points in its title to the need to increase management efficiency, stressing particularly tasks in the field of decreasing the costs of materials. Progress in this field is the most effective means of securing greater net production, at a slower growth rate. It is, therefore--next to the envisaged limitation of investments--the most effective method of defending the basic social goals under the present immensely complex conditions. As experience has shown, achieving progress in the field of management efficiency does not come easily. But if we were to fail to undertake this task and to implement it effectively, we would face still greater difficulties in the future. We have been writing and speaking about effectiveness for a fairly long time. Now progress can no longer be delayed. It is socially indispensable.

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## INTENSIFIED FOREIGN TRADE, KEY TO ECONOMY EXPLAINED

Warsaw ZYCIE WARSZAWY in Polish 28 May 80 p 3

(Article by Henryk Chadzynski)

[Text] Though for a long time there has been talk about the need to expand our participation in the international division of labor and the possibility of deriving profits from exchange and cooperation with foreign countries, yet it was only the decade of the 1970's which brought about an essential change in this respect. In the past year, for the first time, goods turnover with foreign countries attained in Poland a round sum of 100 billion foreign exchange zlotys. To be sure, in appraising this record we should take into account the fact that exchange is calculated at current prices, wherefore, because of a considerable rise in prices in world markets for crude and petroleum products, as well as for many other raw materials and products, we have to rate this accomplishment more modestly. Nevertheless, the 1970's have brought about a considerably great involvement of our economy in the exchange and international cooperation than before. However, if we were to relate these results of our foreign trade to our national income, or convert to per capita of population, it would appear that despite real progress our trade achievements are still very modest by European standards.

In the past year, it fell \$460 of imports and \$403 of exports per each statistical Pole. This is not much if we consider that in Czechoslovakia imports per capita attained \$753 and in Hungary \$1,113, whereas exports amounted correspondingly to \$704 and \$909. This shows that our involvement is rather modest, the more so as the needs and possibilities of our economy should induce us to greater trading activities.

However, now too, just as in the 1960's, the opinion is more and more widely expressed that even at the present exchange ceiling foreign trade is becoming a barrier to economic growth. In this connection, various strains appearing in the economy and supply troubles caused by import limitations are pointed out to demonstrate that they are the result of a too great involvement of our economy in contacts with the world. It is significant, nevertheless, that somehow this resilient development in turnover, especially

in the first half of the 1970's, was not considered as an impediment when the opening of Poland to trade and cooperation resulted in imports of machinery, equipment, new operating lines and licenses. Nor did any potential producers speak then of a barrier, in those days when (today we already see that often for future development) the supply of imports was programmed, taking no notice of possibilities of the state of the purse which could only temporarily take advantage of credits and afterward might count only on exports of goods and services as a source of revenues.

It so happened, however, that in the second half of the 1970's, when the proportion between imports and exports was to be reversed, purchase targets were being exceeded, whereas sales plans in the markets of capitalist countries were not implemented. Last year, only for the first time after a hiatus of 4 years, has foreign trade fulfilled the export plan to the markets of capitalist countries with a certain surplus.

Furthermore, during this period of accruing arrears in exports it has been necessary, in order to support livestock breeding, to increase the import of feeds; decisions on some other above-plan purchases were also taken. As a result, there occurred in our exchange, as this is being lately very fashionably called, an asymmetry of payments, which became acute due to the condition of the credit market, the increase in interest rates and the prevailing considerable service costs of new loans. However, to use a more intelligible terminology, we should realize that in 1971-1979 import was 47 billion foreign exchange zlotys higher than the value of our exports. Now the time has arrived to pay off this difference and at the same time it is necessary to secure the means for import purchases for the current production, means that amount at present to a lion's share of our overall imports.

Against this background, highly suggestive are the decision of the PZPR Eighth Congress, which in drafting the program of the development of Poland up to 1985 is stressing in the adopted resolution that the primary task in the sphere of foreign trade is the development of exports. The resolution of the congress points out that the share of production for exports must be increased to at least 17 percent of the value of overall industrial production. Up to now, this share has oscillated between 13 and 14 percent and only in the current year is it to be increased to 15 percent. How essential, and at the same time how difficult it is, one can see from the tendencies to date. For if we base our calculations on constant prices, without distortions caused by inflation and market-determined price increases in the West, then our exports were increasing in the 1970's on the average of 8 and sometimes 9 percent annually. This rate is very close to that which we have observed in the 1960's. Nevertheless, we know how, due to investments, including also those utilizing imports, an acceleration of the increase in industrial production has occurred in the present decade. Relatively, therefore, a relative decrease of export dynamics has taken place.

Perhaps it would also be best to use a certain relation of magnitudes. Whereas in 1966-1970 each percent of the increase in the value of industrial production was making it possible to increase exports by 1.15 percent, in 1971-1975 this index has decreased to 1.03 percent, and, during the first 3 years of the present 5-year period to 0.05 percent. These illustrations of insufficient progress point to the very great importance of the directive of the congress which enjoins more energetically adapting our economy to the formation of pro-export structures.

The resolution of the congress states outright that a pro-export growth of economy requires that investments be directed at the modernization of those branches and sectors of the industry whose products hold an established position in foreign markets and have prospects for effective exports. The next sentence stresses the need to ensure absolute priority as regards investments, supply of raw materials and other materials and qualified cadres for the purpose of export. Now the time has come to consistently implement these directives of the congress resolution.

It is not foreign trade and not our participation in international exchange and cooperation that is the source of our troubles; they are caused precisely by an insufficient pro-export tendency and imbalance in trade due to the lack of restraints on the size of imports. For this reason, the next statement of the congress resolution speaks of the need to continue the action of further rationalization of imports. And if this action to reduce imports in some fields might have even more painful consequences than had been originally assumed, then this is the result of insufficient export activity.

To be sure, at present it is more difficult to promote exports, considering the complex realities in the markets. Nevertheless, both in socialist countries and in capitalist markets it is possible to considerably increase sales if, of course, one were to promptly and elastically react to signals of businessmen relative to the assortment, quality and service of products. We know at present how much our economic results depend on our achievements in foreign trade. This concerns both our commitments to our socialist partners and exports to the free foreign exchange markets.

In spite of the signals regarding recession and protectionist tendencies, it is still possible to sell in the so-called payment area II half as much of the means of water transport, more motorization products, twice as much metal-working machines, tractors, tools, as well as building machinery and equipment. One could almost double the export of power installations and increase the sale of many consumption items. Naturally, an appropriate technical standard and workmanship in these products such as would satisfy the modern requirements of buyers must be adhered to.

Under present conditions, the promotion of exports must be universal and should concern every enterprise. Active participation in the pro-export development of the economy should be consistently applied as a criterion in the appraisal of the activity of economic units. Naturally, in the

long-range outlook it is bound up with more rapid development of those sectors which have already achieved good results and have undergone structural transformations suitable for more profitable exports. Extemporaneously, however, it is necessary to enhance all kinds of motivations and technical-organizational means which would stimulate export initiatives in every industrial branch.

In the current year, apart from the plan tasks, a special task is set before the economy to achieve additional exports to the value of 2 billion foreign exchange zlotys. A considerable part of these tasks is to be accomplished not as a result of increasing the volume of goods sent abroad but through refining them in order to bring more favorable prices. Improvement of the activity of exporters in enterprises must be accompanied by the enhancement of the activity of businessmen. This concerns both the CEMA countries and all other markets. The implementation of this year's tasks is the requisite for getting out of the present depression of trade. By the end of this year we should bring our goods turnover into balance with free foreign-exchange countries. On how consistently this line of the export policy will be implemented and what will be its results will depend the corresponding shaping of imports which are indispensable for the country. Thus exports at present are the key task that to a great extent will be crucial to the development of the country and the realization of basic social goals.

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DOMESTIC TRADE SITUATION ADDRESSED

Council of Ministers Vice Chairman Jagielski

Warsaw GAZETA HANDLOWA in Polish No 20, 18 May 80 pp 1,3

[Address by Council of Ministers Vice Chairman Mieczyslaw Jagielski: "The Most Important Task Is to Consolidate the Market Balance"]

[Text] We are publishing, in the current issue of our weekly, the texts of addresses by Mieczyslaw Jagielski, member of the Political Bureau of the PZPR Central Committee and vice chairman of the Council of Ministers, and by Adam Kowalik, chairman of the Committee for Domestic Market Affairs and Minister of domestic trade and services. These addresses were delivered on 2 May 1980 at the Lodz conference of representatives of workers self-government groups of trade organizations, along with ministers, associations, and enterprises making market products.

In the next issue of our newspaper we will publish the text of the address by Roman Malinowski, vice premier and minister of food industry and purchases.

The titles and headings of the published texts, as well as bold-face print, have been supplied by the editorial office.

The plan for 1980 assumes the establishment of bases for the successful fulfillment of the resolutions of the Eighth PZPR Congress. It is an ambitious plan which directs principal attention to the harmonious and effective development of our economy, to better fulfillment of the raw materials and energy needs of industry, and to ensuring the indispensable growth of market and export production.

It was from this point of view that we discussed at our conference the problems of industries which make products for the domestic market. Good supply and effective functioning of the market is of primary importance in the gradual achievement of our social goals and in the formation of public feeling. In this field, we are confronted with difficult and complex problems.



While solving them, we must strive to preserve the proper proportions between the money income of the population and the volume of deliveries of goods and services. We must also, through a proper policy of market supply and a proper structure of prices, assure the rise in the real income of the population to the level accepted in a resolution of the Eighth PZPR Congress.

#### After Four Months

Today we regard as our basic tasks the elimination of shortages and disproportions in the domestic market and the optimum utilization of funds earmarked for this purpose. The ministries and the provincial administration, all the manufacturers of market articles, and all the units of domestic trade and services should constantly focus their attention on the implementation of these tasks.

How does the market situation look at present? Comrade Minister Kowalik cited many data which combine to form a meaningful and at the same time complex image of the results of the first quarter. We should regard as a positive phenomenon the rapid, over 13 percent, rate of increase in the deliveries of goods to the market, which made it possible to exceed the plan's tasks by 14.4 billion zlotys. The continuity of deliveries of most basic food articles to the market was assured. In general, market supply and trade operations were good in the period preceding Easter holidays. This is one, positive, side of the coin.

There is also the other side. An evaluation of stock deliveries in the first quarter shows a shortage of goods amounting to 7.6 billion zlotys. I note the incomplete fulfillment of plans for deliveries to the market of, for example, enameled kitchen utensils from the Ministry of Heavy and Agricultural Machinery Industry; table services from the Ministry of Metallurgy; refrigerators and photographic cameras from the Ministry of Machine Industry; chemical fertilizers, soaps and laundry detergents, and rubber footwear from the Ministry of Chemical Industry; table glassware from the Ministry of Construction and Building Materials Industry; and pine boards from the Ministry of Forestry and Wood Industry.

During the first 4 months of this year, as follows from estimates up to the present time, all the ministries implemented their tasks in market production better or at the level approaching that planned for the elapsed time. This concerns especially the ministries of: forestry and wood industry (36.2 percent), heavy and agricultural machinery industry (36.1 percent), light industry (34.8 percent), labor cooperatives (33.4 percent), and machine industry (30.8 percent). On the other hand, there persists a tendency toward incomplete fulfillment of the plan of stock deliveries.

#### The Basic Tasks

In the light of the results of the first quarter and the above estimates, which also include April, the basic tasks of industries producing market goods appear to be the following:

I--making up for the arrears in the production and deliveries of some goods;

II--assuring further regular implementation of this year's market production as regards both total production and that of separate items;

III--giving special attention to the production and deliveries of standard goods most needed by Polish society and therefore placed on the so-called three stock lists. There should be no lack of these goods. Therefore, in the event of shortages, available resources should be utilized for the production of these goods, even at the cost of limiting temporarily the production of other articles.

IV--constant care about supplying the population with foodstuffs. Working for the consolidation of the market balance, we should always remember that in Poland the demand for food is increasing steadily and that the average consumer continues to spend almost half of his income for groceries. As we know, the possibilities of increasing agricultural production are limited, and we are no longer able to increase the importation of agricultural products. On the contrary, we should be gradually limiting it. Therefore, the basic problem is maximum utilization of all the available agricultural crops for the production of food. Meanwhile, we still have many losses in this field. Thus, all the institutions and organizations responsible for purchasing and supplies and for the market have the obligation of increasing their work efficiency.

For well-known reasons, difficulties persist with regard to supplying the population with meat and meat products. Therefore, of enormous importance will be the actions of the food industry aimed at increasing the stock of and the demand for products which can be substituted for meat products. We turn to you, dear comrades, asking you for still greater initiative and resourcefulness in actions aimed at assuaging and improving the situation in the food market.

V--taking actions assuring additional, above those established by the plan, deliveries of market goods worth at least 40 billion zlotys. This amount represents the lower limit. It should be gradually increased, if possible.

**Effectively and Rationally**

We all know that the fulfillment of these tasks will not be easy. At the central conference of the party and economic aktiv, the first secretary of the Central Committee, Comrade Edward Gierek, asserted--and I will remind you of his words--that in the present international situation, with increasing prices and more difficult access to many raw materials, and also with the increasingly higher rate of interest charged for credit, the decisive factor in the growth of the economy will be mainly reliance on one's own efforts and on better and more effective work by Polish society.

We realize that in view of the persisting supply difficulties, increasing production over and above the planned quota is a complex task. But at the same time we are aware of the wealth of reserves which are inherent in the quality of management, in the resourcefulness of industrial plants, and in more efficient cooperation of trade organizations with manufacturers. It is necessary to dip into these reserves consistently and effectively and to utilize them in the area of production, cooperative relations, and sales. Broad perspectives of precisely this type of action open up particularly before small industry, for whose growth good conditions have been created.

Among tasks of great importance I include also full utilization of the possibilities of the entire, broadly conceived, area of services which constitutes an important element in the consolidation of the money and market balance.

Both at the central conference of the party and economic aktiv and also today, many examples of low management efficiency were given. In this field, there are great differences between the individual industrial plants. Some of these plants are able to operate efficiently, while others lag behind and use old methods of management. Every branch of industry has its own specific characteristics and properties, and it has to solve its efficiency problems in accordance with them. There are, however, general rules which every plant should observe in its everyday operation. What is meant here is better, more economical and rational management of raw materials and other materials and, among other things, including in plant production a line of products which make it possible to meet society's needs while reducing the consumption of materials.

Of particular importance is substituting wherever possible, domestic materials for imported raw and other materials, and also limiting the kind of production that requires relatively large energy consumption, especially that which is based on imported liquid fuels.

There should be also concern for better utilization of durable property, including the making of types of products which can be made with the use of machinery and equipment that has not been operating at full capacity. There should be concern about improving the human labor efficiency factors. Considerable reserves can be freed through improving the organization of work, utilizing worktime more efficiently, observing the established norms, reducing absenteeism and lateness as well as all kinds of waste of time, limiting overtime hours, etc.

We are concerned about improving the structure of production as a result of limiting production for investment purposes to the size which conforms to the assumptions, while simultaneously increasing production which is destined for export and for the domestic market. The structural proportions accepted in the plans must absolutely be maintained. Finally, we are concerned about better adaptation of the lines of products to the needs of the market, improvement of their quality, and their upgrading and modernization.

In all the above-mentioned fields we have considerable reserves. Their utilization should assure the implementation of the production tasks confronting us and an increase in the profitability of production. Government subsidies for the making of many products are still too large. Some of these subsidies are a result of the faulty price structure, with particular reference to agricultural and food industry. Many of them, however, are a consequence of weak economic results and of insufficient management efficiency.

### Much Depends on the Trade

Even with the existing shortages of goods, improving the effectiveness of the cooperation between trade and industry can and should contribute to better supplying society's needs. Rapid, mutual exchange of information about the needs and comments of customers and about production possibilities, on-time implementation of concluded agreements, efficient introduction of indispensable changes in product lines, are only some but very necessary elements of this cooperation.

Some of the shortages cannot be avoided because of the present supply possibilities. All the more important is, therefore, delivering the produced goods to the consumer as rapidly and as efficiently as possible. Particularly harmful from the economic and social standpoint are all kinds of interruptions in the flow of goods from the manufacturer to the customer, for which the trade apparatus is at fault.

Work on improving and modernizing the operations of domestic trade, in conformity with the appropriate resolution of the Political Bureau, has been in progress for some time. Their result should be the development of the material and technical base of trade, services, and the food service, as well as an improvement in services to the population. Toward the same goal are directed numerous emergency actions, for example, indispensable improvements of the efficiency of organizations and systems, increase in the competencies of the managers of larger trade establishments, etc. I wish to emphasize that the tasks in the field of the improvement of management efficiency concern not only industry but trade as well. We are concerned, among other things, about improving the operation of its material base—the network of stores and warehouses, means of transportation, and about the appropriate distribution of personnel.

We expect trade employees to utilize properly the possibilities of improving the quality of their work that are being created for them, to combat more vigorously such negative occurrences as inadequate store supplies in spite of sufficient number of goods in wholesale centers, or selling from under the counter, short-taking, and corrupt practices which hurt the customers or the enterprise.

### Price Policy



The matter of retail prices continues to be a current problem of immense social importance. In his Seym speech, the chairman of the Council of Ministers, Comrade Edward Babiuch, shed light on this matter, announcing that the government will attempt to improve its price policy and to change the price structure gradually over several years, and that at the same time it will combat excessive increases in living costs.

As we know, most price increases are introduced in a decentralized manner and through stock changes. Controls have shown that in spite of recent instructions, economic units continue to violate the principles of establishment and use of prices. Irregularities occur, above all, during the preparation of calculations which are basis for the establishment of prices. Raising prices is, in many cases, a result of conscious actions of the manufacturers who thus aim at increasing the production's worth and, consequently, at obtaining an undeserved increase in their discretionary wage fund.

While establishing the prices for individual products, we should be influenced by the socially justified production cost, as well as by the current rates of profit, turnover tax, and trade markups. These principles must be strictly observed by all the ministries, associations, and enterprises producing market goods. This is one of the standards for evaluation of the attitude of their managerial staff and of their understanding of the imperatives of the present situation.

#### **Wages and Employment Issues**

While focusing our attention on the best possible fulfillment of the plan of market production and the efficient operation of trade, we at the same time should consistently strive to maintain the growth of the money income of the population at the level assumed in the national economic plan. These matters were discussed in detail during recent conferences with the political and economic aktiv, with the management of the ministries, and with provincial administrators. Of primary importance is the problem of correct, conforming to the plan, management of the wage fund which constitutes over 58 percent of the total annual money income available to the population.

We have to say clearly and openly that the rate of the increase of the wage fund until the present time (11.8 percent) exceeds considerably the rate of the increase for the whole year which was assumed in the national economic plan (6.7 percent). In the first quarter, the wage fund was exceeded by 4.2 billion zlotys, mainly as a result of over-the-plan increases in average wages and above-the-plan employment figures. We must not acquiesce in these occurrences.

In order to bring employment and the wage fund to the levels assumed in the national economic plan, it is necessary not only to eliminate excess employment wherever it occurs but also to provide an appropriate number of job openings for people who begin professional work for the first time. The ministers and associations should exercise systematic supervision over these matters.



## Economy Program

In conformity with the guidelines of the resolution of the Eighth PZPR Congress, we regard as essential in the current year the implementation of additional economy measures which are over and above those established by the national economic plan. They should help reduce expenditures from the national budget, increase the effectiveness of utilization of the funds of socialized economy units, and slow down the growth rate of the purchasing power of some groups of the population.

The government has adopted a broad program of action in this field. We anticipate, among other things, a reduction in the cost of government and economic administration through a reduction in employment; we also anticipate a decrease in the expenditures of socialized economy units for purchases which reduce the supplies of market goods. There will be a reduction in expenditures for official entertainment and for trips abroad. There will be a further reduction in the number of official automobiles and drivers. Expenditures for repair and interior decoration of buildings in administrative, service, trade and food service units will be reduced to an absolute minimum.

The government program should become, for all the ministries, associations and enterprises, the basis of their own economy programs.

We will also improve the system and correct the rates of subsidies for specific products, as well as the turnover tax, through lowering the standard profit and thus reducing often excessive financial resources available to the enterprises. Our concern is the introduced changes should help reduce production costs and assure more effective utilization of funds.

We aim at consolidating the market balance not only through economy measures and improvement of the efficiency of operations in the socialized economy but also through reductions of excessive differences in the income of individual population groups if these differences cannot be justified rationally and from the standpoint of social justice.

Local authorities should decidedly strengthen the discipline of the collection of taxes and other fees that benefit their budgets.

We will also try to expand the population's participation in savings, insurance and other forms of voluntary commitment of its purchasing power. By bringing benefits to those interested, they at the same time permit a certain reduction of the currently existing pressure in the market.

The present situation is difficult and complex. We have to overcome numerous obstacles and restrictions which affect the rules of high effectiveness and strict discipline. The implementation of the tasks confronting us must be based on better management of production factors, more effective utilization of raw materials and other materials, durable property and also labor resources. Briefly, it must be based on the introduction of intensive forms of development.

A change in conditions requires a change in habits and thinking. It also requires frank and objective discussions with the work forces about how to cope with the very difficult tasks of the current years in their own and in the common interest of the entire nation. The only way is through higher quality of work and of management effectiveness, increase in requirements, consistent utilization of reserves, indepth control and objective evaluation. Only in this way will we be able to set in motion and fully utilize the intensive factors of development. And it is these factors, above all, that we must consider today in our striving toward the goals set by the Eighth PZPR Congress.

All this should be properly reflected in the work which will be carried on until the end of the first half-year in the economic ministries with the aim of preparing, on the basis of a comprehensive assessment of the situation, programs for production development and for improvement of management effectiveness.

Address by Minister Roman Malinowski

Warsaw GAZETA HANDLOWA in Polish No 21, 25 May 80 pp 1, 3

[Text] The Problems of the Food Market

In meeting society's needs and creating the money market balance, foodstuffs play a special role. The importance of the deliveries of foodstuffs stems both from their large, over 40 percent, share in the total deliveries of consumer goods, from the fact that the population earmarks for food and related products close to 50 percent of its total expenditures, and from the position which the level of the market food supply occupies in our social policy.

Continuing Big Demand

In the 10-year period about to end, we attained a quantitative and qualitative increase in the market deliveries of foodstuffs. Beneficial changes occurred in the structure of consumption as calculated per inhabitant; proof of this is an increase of 19 kg in meat consumption, of 5 kg in the consumption of fats, and of 40 kg in the consumption of fruit and vegetables, with a simultaneous decrease in the consumption of processed grain and flour products by 10 kg. However, there was no decrease in the relatively big social demand for food, resulting, among other things, from the rapid increase in the money income of the population, from a price structure which does not favor raising the standards of consumption effectiveness, and from the unfavorable production situation in our agriculture in recent years.

This year the food industry has to supply to the market foodstuffs and related products worth nearly 600 billion slotys, which represents an increase of 4.8 percent in deliveries as compared with last year. In the 1st quarter, 25 percent of the planned 1980 deliveries of foodstuffs and related products was fulfilled, while the value of the delivered goods was 9.6 percent higher

than that of the goods delivered in the first quarter of 1979. In the deliveries of most of the basic foodstuffs, at least 25 percent of the advance fulfillment of the annual plan was attained. This concerns particularly the deliveries of meat and meat products, eggs, flour, grain cereals, chocolate and chocolate products, canned vegetables and meat, frozen cooked foods, and frozen fruit and vegetables.

The goods items included on the three lists (that is, controlled by the Planning Commission, the Ministry of Food Industry and Purchasing, and the individual associations), whose deliveries had fallen below the assumptions of the 1980 plan, were subjected to a detailed assessment; simultaneously, actions were begun in order to make up for the arrears that had occurred.

During the current year, the deliveries of all the produced articles will increase. The small increase in the deliveries of meat and meat products is related to the difficult situation in agriculture and, consequently, in animal breeding. We assume that meat consumption will be maintained at the level of 72 kg per inhabitant.

In principle, the deliveries of vegetable fats and processed grain and flour products such as flour, macaroni and rolled oats, should take place in accordance with the demand. There will be a significant increase in the deliveries of processed fruit and vegetable products, including especially frozen fruit and vegetables, and also tomato paste, canned peas, and pickles.

Taking into consideration market demand and delivery possibilities, we have to assert that independently of meat and meat products there will be no possibility of satisfying market demand also for chocolate products as a consequence of the limited possibilities of importing cocoa beans; the same applies to some processed foods for children, on account of the continued lack of production capabilities in this area, and to certain articles whose production is related to imports, as, e.g., grape wines and cola-type beverages. Also, on account of lower-than-planned sugar production from last year's harvest and the necessity to meet the indispensable market needs, the sugar allotment for industrial processing was reduced, which will result in decreasing the deliveries of some assortments of products which consume large quantities of sugar, as fruit juice drinks, sweetened fruit juices, etc.

#### Six Hundred Fifty New Products

We are and will be devoting much attention to manysided actions aimed at further increasing, upgrading and modernizing production, improving the quality, utilizing raw materials, machinery and equipment more efficiently, establishing proper economic relations, and improving management effectiveness in general. We should implement the 1980 tasks while decreasing employment by 0.3 percent, increasing work efficiency by 3.9 percent, and reducing the share of costs in the value of sales by 0.9 percent and the cost of materials by 1.2 percent.

Six hundred fifty new and modernized products will be made in 1980, of a total value of 20 billion zlotys; 280 of these products will be made for the first time. The greatest value of the production of new and modernized articles will be represented by meat products, fruit and vegetable products, beverages, and food concentrates. There will be an expansion of the assortment of frozen foods, especially those made of flour and potatoes with different fillings, and those made of meat as well as of meat and vegetables; there will be also new assortments of mixed vegetables and new flavors of ice cream. New assortments of canned vegetables and meats will be introduced; there will be a wider choice of high-quality smoked meats; and new assortments of delicatessen-type canned meats and processed poultry products will appear on the market. In the food concentrates group, new assortments of soups are envisaged; the assortment of desserts and cake mixes will be enlarged. We will also start producing granulated and dehydrated potatoes which will facilitate instant preparation of mashed potatoes, also in larger quantities.

The oils and fats industry will expand the production of refined vegetable oil and low-calorie margarine.

We will start making new confectionary products and also new kinds of soft drinks; we will expand considerably the assortment of beverage concentrates, among other things, for making milk shakes, tea beverages with different flavors, etc.

#### More Packaged Goods

Of essential importance for the improvement of the effectiveness of consumption is progress in portioning and packaging the products supplied to the consumer. This is what Minister Adam Kowalik spoke about. Packaging food products also facilitates trade operations, limits turnover losses, and improves the quality of customer service. In spite of investment restrictions and the inadequate supply of packaging materials, in 1980 we intend to increase, e.g., the number of packaged nonliquid foodstuffs by 25 percent.

We are aware of the fact that the needs related to portioning and packaging of foodstuffs considerably exceed the current possibilities in this respect. Together with the Ministry of Domestic Trade and with other ministries, we should achieve more visible progress in this field, in accordance with our society's expectations and the requirements of effective food management.

The situation in the area of food processing and deliveries of food articles to the market is developing and will be developing under the influence of many factors.

#### Closer to the Agricultural Producer

First is the development of the raw materials base and the extent of management of agricultural raw materials. In this respect, guided by the tasks resulting from the resolutions of the Eighth PZPR Congress and the Seym speech of the chairman of the Council of Ministers, Comrade Edward Babiuch,



we intend to improve and develop the raw materials services in food industry and to tighten cooperation with the communal agricultural service and with the branch associations of farmers, in order to create raw materials bases around processing plants and to assure the indispensable structure of production and the quality of raw materials.

We will improve the system of contracting and purchasing, will expand local facilities for receiving raw materials, will improve the quality control of raw materials being purchased, and will develop the technical equipment for purchasing centers. We shall favor the establishment of combined industrial and agricultural plants, and we shall foster—in conformity with the resolutions of the 14th plenary session of the PZPR Central Committee—the establishment and development of small processing plants by giving them indispensable technical and technological help and linking them, through cooperation agreements, with larger processing plants. This should, in sum, create favorable conditions for the development of raw materials support bases, for good management of raw materials, and for further improvement in the market supply, including also the local market.

We also intend to strengthen and develop branch coordination in the individual processing branches, independently of the administrative hierarchy of the individual food industry plants; this should favor effective utilization of raw materials, proper territorial distribution of investments, and better market supply. It is worth noting that the share of small and co-operative food industry in supplying the market with food is close to 30 percent. Improvement of coordination of economic progress in the sphere of organization of raw material bases and purchasing of agricultural products, will help improve effectiveness of management in individual units and branches of food industry, and will also help harmonize its development.

#### Reserves To Be Utilized

Second is the improvement of effectiveness of management in the food industry. This aim should be served by, among other things, the now progressing actions which aim at increasing the competencies and responsibilities of agencies, associations and enterprises, increasing the role of local organs of state authority and administration in the development of the food industry, simplifying organization structures, and increasing the essential contacts of the ministry with voivodships, enterprises, and plants.

We are also working to improve an economic and social system favoring improvement in management effectiveness, encouragement of innovations, and reduction of the cost of materials; we are working, moreover, to improve the standards base.

In actions aimed at improving the effectiveness of management, we assign a high rank to organization progress and to increasing the innovation activity of the work forces, of workers self-government, and of the engineering and technical staff. We are counting on the active support and help of party and association organizations, as well as that of local organs of state authority and administration.



We will intensify actions which aim at full utilization of the achievements of the scientific research support base by plants and enterprises and at strengthening their mutual cooperation. We will strive to increase the extent of processing of agricultural products, to improve the quality and structure of the product assortment--in accordance with the needs of society. The further development of food processing and the improvement in the supply of foodstuffs are to a large degree related to the need for a definite development of the lines of proexport production.

In programming the further development of the food industry, it is indispensable to pay special attention to the quickest possible overcoming of "narrow crosssections" or else "weak elements"; this will permit better utilization of the existing production capabilities and will help improve the effectiveness of management. Being concerned about the full utilization of existing production capabilities, we must focus our attention on actions of modernizing and on the further development of production capabilities, especially in the grain processing and milling industry, fruit and vegetable industry, confectionmaking industry, food concentrates industry, and refrigerating industry, with concern about the proper territorial distribution of food industry installations. In this connection, it is indispensable to have increased help from other industries--in the area of the deliveries of machinery and equipment utilized in the management and processing of agricultural raw products, and in the area of starting the production of machines which hitherto have been imported.

#### Partnership

Third is the improvement of cooperation between industry and trade. Improvement of this cooperation is one of the conditions for efficient supplying of the market. This requires, among other things, an expansion of information about the trends in the demand for individual products in order to have flexibility in adapting production to needs; this also requires a greater than heretofore utilization of information about the size of the goods supply in industry and wholesale trade in a territorial dimension, which should make it possible to supply different regions of the country more equally. Closer and more frequent contacts of the manufacturers with the trade system help solve local market difficulties more easily and more quickly.

One of the difficult problems is the transportation of goods. In view of the insufficient number of means of transportation in industry, trade organizations are helping industry in delivering the goods to the market. I should like to thank them most warmly for it, and to ask them for further active collaboration in this area so as to improve the regularity of deliveries.

We will also continue to develop a network of factory outlets and sponsored stores, and we will increase our concern for supplying them efficiently.

## Price Structure and Consumption Structure

Fourth is the fact that the food market situation is developing under the influence of the following factors:

--the rapid increase, over and above the plan, in the money income of the population;

--the considerable income-related flexibility of the demand for food articles (an increase of 1 percent in money income results in a 0.6 increase in the demand for food, and an almost 1 percent increase in the demand for meat and meat products);

--the existing price structure (the subsidies for food articles amount to nearly 160 billion zlotys) which does not produce tendencies to save on food expenses, and which causes partially ineffective management of these articles (e.g., earmarking some articles for feed purposes) and encourages abandonment of animal breeding by small peasant farmers.

Today one inhabitant of Poland already consumes 3,300 calories and 106 g of albumen per day. We are attaining these ratios of consumption without modernizing the latter in the least. Therefore, we are facing the task of further improving the structure of consumption along the lines which were accepted in the program of the 15th plenary session of the PZPR Central Committee in 1974. The existing situation in this area will require a gradual rearrangement of the price structure and will also require comprehensive actions--in conformity with the resolutions of the Eighth PZPR Congress and the speech of the chairman of the Council of Ministers--influencing the increase in the deliveries of food articles and also, to an ever greater extent, of nonfood articles which also produce tendencies to save on food expenses in favor of other goods and services.

The actions being undertaken in the food industry will be discussed on a current basis. We are also counting on the active collaboration of all the interested partners in the implementation of current and future tasks.

Report by Minister Adam Kowalik

Warsaw GAZETA HANDLOWA in Polish No 20, 18 May 80, pp 1, 3, 4

[Text] We have gathered in a group of the main market participants--that is, representatives of manufacturers and trade, conferences of workers self-government of large industrial plants and large trade organizations. Among us are members of the political and administrative leadership of provinces, the central association aktiv, and also representatives of science and of social and professional organizations.

Together we are developing the market and influencing its processes. Hence we have a common responsibility for its present and future condition, for supplying the population with goods and services, and for the efficient operations of market industries and goods turnover.

## Implications of Past Year

In the situation which has now developed, the key task becomes the acceleration of structural changes in production, as a result of which there should occur an increase in market deliveries. This, of course, is not a new task; it has been discussed many times. However, in the 1980 situation it has particular significance because the market supply plan is on a very tight schedule; it is encumbered by implications which are a consequence of last year's conditions and of the results with which we closed that year.

The tasks of the area of market deliveries of goods from domestic sources and from imports were not completely fulfilled in 1979. There was a shortfall of 31 billion zlotys. What is worse, stock deliveries were not fulfilled to an even greater degree. The value of the shortfall of the articles included in the three-level control system, and so, goods of primary importance for meeting the consumer needs, was over 50 billion zlotys. These occurrences were accompanied by an over-the-plan 21 billion zlotys increase in the population's money income, which obviously produced an additional demand for goods and services.

## Concrete Actions

The 1980 national economic plan has a tight schedule. The relations between the increase of the purchasing power and the growth of the demand for goods and services as noted in this plan, will facilitate the preservation of the market balance only if the following actions are carried out effectively:

--genuine tightening of control over planned payments to the population, and preventing income increases that are not justified by increase in productivity and improvement of work effectiveness;

--complete fulfillment of planned deliveries; because during the current year we lack any sources insuring the market plan; deliveries resulting from the national economic plan should take place regularly, in the manner which approximates the distribution of the population's income and purchasing power during the year;

--permanently overcoming the bad situation in the field of the structure of stock deliveries, especially of standard goods included in the three control lists; increasing the production of precisely these articles, even at the expense of utilization of raw materials earmarked for other goods, is today an obligation which we should assume honestly and with full responsibility;

--effective management of the reserves of the Committee for Domestic Market Affairs and of other funds, in order to create, with their help, additional sources of supply of the most needed goods which are lacking in the market;

--achieving, in voivodships and communes, concrete results of work in progress which aims at stimulating local production of goods and services;

--further progress--expected by society in the operations of trade and improvement of the functioning of its basic elements.

Thus we imagine the development--in the operations of the market--of the tasks defined by the first secretary of the PZPR Central Committee, Comrade Edward Gierek, in summing up the discussion at the conference of management aktiv. Their common denominator should be--as in the entire economy--concrete actions to improve management effectiveness, and so, better utilization of available resources, more appropriate adaptation of assortments, improvement of quality, and closer cooperation between manufacturers and trade. Under the realistic conditions of operation of our economy, this is an obligation and a requisite of conscious social discipline. Are these strategic goals being implemented to a satisfactory degree?

#### First Quarter and First Half of 1980

The results of the first quarter do not give an unequivocally positive answer to this question. In this period we achieved a number of positive results; however, they were diminished by a parallel appearance of a number of weaknesses. And so--in the 3-month period, market deliveries amounted to 14.4 billion zlotys more than anticipated in the plan; however, 7.6 billion zlotys' worth of stock delivery tasks were not fulfilled. Nor was the plan of the so-called "wide scope" services fulfilled.

The considerable increase in deliveries, amounting to 13.6 percent, made it possible, in our estimation, to maintain the achieved market balance; on the other hand, it did not improve it tangibly, because at the same time the population's money income increased 12.4 percent, exceeding the plan by 11.4 billion zlotys. This occurred mainly because of exceeding the planned employment and wage fund in many economic units.

The first quarter was also characterized by irregularity of deliveries. After a good January and February, their growth rate increased to only 104 percent when compared to March of last year. The market production plan for the second quarter is accelerating this tendency toward decline.

The 670 billion offer of industry for the entire first half signifies--which should be noted--better advance fulfillment of the annual plan than in previous years. However, taking into consideration the truly large deliveries in the first quarter, 331 billion zlotys' worth of deliveries remain for the next 3 months, which constitutes only 99.3 percent in relation to the corresponding period of last year. Meanwhile, as predictions show, the increase in the money income of the population will continue to be large.

It is anticipated that in the second quarter the population's fund for the purchase of goods will attain a growth rate of 110.5 percent, and of 113.7 percent in the entire first half. Such a state of affairs, then, must create a fairly large trade gap. On the other hand, the trend toward greater stock shortages than those of a general nature is, unfortunately, persisting.



What does it mean? It means that independently of assessments of the general market situation, more or less optimistic, difficulties in purchasing concrete and wanted merchandise are actually increasing. All of us feel the impact of it in our everyday lives. What are the causes of it?

#### **Demands Made of Manufacturers**

Many industrial plants, even when performing valuable tasks of the plan quite well, at the same time do not provide deliveries, coordinated with trade, of goods needed in the market. Together, then we should endeavor and do everything in our power in order to reduce those shortages or, if possible, gradually eliminate them. This is simply a necessity caused by the present needs of the population. We must communicate this situation to the work forces and to the workers self-government conferences which represent them, and also to the managerial staff. This concerns the area of production but, in no lesser degree, the whole goods turnover.

Basically, in an economy everything is measurable and verifiable and has its material expression. Thus, we will not find on the market what we ourselves did not produce or what we cannot buy abroad for exported goods. And one cannot have one attitude toward the market situation while waiting in line at a store counter, and another while working on a factory production line.

While noticing and appreciating the enormous effort of many manufacturers, and stressing the good, partnership-type and responsible cooperation between trade and industry during most recent years in particular, we are directing to the manufacturers a difficult appeal which, however, is dictated by necessity: to make further efforts in order to increase the available supply of articles which meet society's basic needs, i.e., articles which are regarded as so-called standard ones. These are goods whose quantity as supplied to the market up to the present time has been too low in relation to the plan and, to an immeasurably greater extent, in relation to the needs.

Here are examples of such goods:

--products of light industry: cotton underwear, woven fabric jackets and overcoats for youth, children, and women, year-round and summer footwear, floor tiles, curtains, hosiery, and also some assortments of women fabrics, such as silk, dress wool, bedding linen;

--products of the chemical industry: toilet soap, laundry detergents, cleaning agents, rubber footwear;

--products of the furniture and wood industry: dining room sets, kitchen and room pieces, bilevel tables, so-called "shelf sofas," small pieces of furniture;

--goods produced by the Ministry of Heavy Machinery and Agricultural Industry: enameled and aluminum kitchen utensils; galvanized utensils and pails, and stainless steel table services;



--goods made by the labor cooperative system: toys, baby carriages, wooden household articles, candles, and children's clothing.

### Hierarchy of Social Importance

One of the more important tasks is improvement in supplying the children's and youth market. Together with the management of the Ministry of Light Industry, as well as with other ministries, efforts are being made to achieve, in the not so distant future, more visible progress in this sector. To saturate this market fully requires a concentration of effort and consistent observance of jointly established guidelines for action. We have decided to undertake such tasks. We are assigning considerable funds to the development of production of articles for children and youth. We are creating raw materials priorities for this production. This must be accompanied--and I am addressing these words to trade organizations--by development and modernization of the specialized system for the sale of these articles.

One can, of course, ask the question how all these assortment demands can be implemented while, as is generally known, our industry has problems particularly in the area of supply.

We are fully aware that this is not an easy matter. However, I should like to express my conviction that large economic organizations and associations which have relatively large funds at their disposal, even with the existing difficulties, can perform the currently necessary assortment maneuver still more effectively. The field for this maneuver is large, and some manufacturers are taking advantage of it. In the present situation, however, we must, jointly with trade, devote still more attention to the selection of an assortment which will consider first and foremost the basic needs of our society.

Shortages we still used to put up with yesterday cause us annoyance today, and it is no wonder. Ours is a nation which has made enormous progress in all fields of social and economic life. This nation is characterized by a great production potential in market production. All the more so, then, the too-low supply of most ordinary goods is annoying and socially incomprehensible. Such situations, essentially, prove a certain helplessness or the fact that some sectors have lost the basic criteria of selection of directions of production.

I suggest that in the category of a mere symbol we consider an example taken from life: can one put up with constant, periodically intensified, lack of laundry detergents or toilet soap, while store shelves are generally full of fine spray-type deodorants which also require foreign exchange outlays? Of course, it would be best if both kinds of products were available; if, however, we confront a need to choose?

In the current year we are unable to earmark additional free foreign exchange funds for emergency imports. The imports of market goods, with the exception of food, will be smaller than in the past year. Hence precisely

a need for genuine management effectiveness and for subordinating all available means to the task of eliminating those shortages and assortment arrears which, in our society's view, are the most annoying.

Trade organizations have been committed to considering necessary and justified changes in assortment which have been suggested by industry, and to utilizing every additional goods offer. We will be holding them accountable for it.

#### Observe Principles of Good Management

Joint, tighter collaboration between industry and trade can bring measurable results. Thanks precisely to that, the plan of goods sales for the population was fulfilled in the difficult past year. We also reaped the fruits of good collaboration in the form of overfulfilling the deliveries and sales plan in the first quarter of the current year. This generally positive assessment of the relations between main market participants, however, changes when applied to the practices of individual sectors or plants. I will use a few examples.

In our country's youth market, it is obligatory to use several tens of size numbers, called "size and height." Special scientific research was conducted in order to determine them. And, in spite of all that, only too frequently there are cases of an average-height person being unable to purchase underwear, outer clothing, and footwear in the right size. We know countries where there are far fewer "size and height" numbers approved for production but where selection in a store is much easier. Without underestimating the effort which has already been made in this area, I think that it is worthwhile to jointly consider how to take advantage of these experiences, with greater benefit to the consumer. Puzzling is a certain helplessness and perhaps even a certain carefree attitude of some manufacturers and trade operators in the everyday implementation of jointly signed agreements regarding, e.g., colors or styles. It happens that the addressee receives an entire shipment in one color, size, and style. Not infrequently the addressee, a trade enterprise, shares the blame for this.

I should not like to be suspected of simplifications. I am aware that in order to produce something in accordance with an agreed-on model, it is necessary to have the proper conditions, i.e., at least such as deliveries of proper materials and raw materials. However, do only these factors beyond our control cause such a state of affairs?

Were only these factors responsible for the fact that nearly one-quarter of deliveries differed from the agreements or were of a lower quality? And it is probably quite impossible to blame factors beyond our control for the fact that about 17 percent of deliveries are in the wrong sizes.

An example from the food market: recently there has been an increase in the number of cases in which the portioning and sizing of food articles is not at all suited to the needs of household economy. How, indeed, can one evaluate offers of delivery to stores goods packaged in quantities which are suitable only for wholesale or large-volume sales? With increasing frequency, this transforms stores into packing rooms or bottling plants. Recently the food concentrates industry replaced bottles, which for years had been used in selling cake flavorings, by packages five times larger! Already 50 percent of these products are shipped in such packages. Everybody knows that some of the contents will be wasted; this means loss of raw material and also of paid human labor.

Whatever might be the reasons for such occurrences, such practice cannot be continued because it contradicts the principles of good management.

The food market situation is very complex: Constant increase of the demand for food articles, resulting among other things from an increase in our society's income--with the market goods supply being determined realistically by the present increase in agricultural production--makes us anticipate continuing tensions and problems. In this situation it is my duty to stress the need for economical management of available food stocks.

Here a positive example is the better and better management of increased, especially in certain periods, catches of sea fish. The joint action of many organizations in different ministries has assured the market supply of fish not only on the coast but in most of our country's regions. We need to make such practice a habit, widening its scope locally.

#### Nothing Can Be Wasted

In the coming season it is absolutely necessary to manage fully and entirely all the food articles of agricultural origin. This must really be done better than ever, and more effectively.

Can we remain indifferent if there is a repetition of the situation in which in the fall--for various reasons--we do not quite know what to do with tomatoes, and in the spring there is a lack of tomato paste; or we alarm the central office about a shortage of pickles--while there is a surplus of fresh cucumbers in season.

This task is addressed particularly to local authorities; they must assume responsibility, as local managers, for accumulating seasonal reserves in a quantity which would last until a new crop.

Also untenable is a bad and simply reprehensible practice, repeated year after year, of some voivodships, which can afford to accumulate reserves and which make requisitions in the spring for supplementary deliveries. Such cases should end with official charges preferred against specific persons who are guilty of such negligence.

Against this background, a more general reflection comes to mind. No economy of a country of such a size, such a potential and such possibilities as in our case, is able and, one should think, will be able, to meet adequately all, indeed vast, local needs in a centralized manner. As has been stressed many times, it is indispensable to have the initiative and concern regarding this market, first of all, by local authorities and not necessarily at the voivodship level but precisely at the level of cities, village communes, and city districts.

#### Small Industry, Services, and Crafts

This applies also, in its entirety, to problems of development of services and crafts. Implementation of the government program has resulted, to be sure, in a certain improvement of the situation. We have attained greater availability of services and we have expanded both their sectors and their kinds, particularly with regard to services which thus far have been poorly represented in the market. It is, however, progress which still lags far behind the needs. As an example I mention laundry services, building repair services, and services of repairing electronic equipment or household appliances.

The tasks under this heading need to be itemized as follows:

- fulfillment of the plan of services in 1980 as a minimum;

- tangible alleviation of disproportions between voivodships in availability of services per inhabitant;

- bringing about a more uniform development of the service network locally and in individual sectors;

- working out an intensive, based on needs, program of development of services and crafts for the years 1981-1985.

Further development of small industry is also the domain of actions of local authorities. The government has created conditions favoring it, of which I shall mention the granting of additional above-plan funds for investment or the creation of a system which facilitates rapid adaptation of production to market needs. We have already had first, good experiences in the exploitation of these possibilities. I mean here the achievements of, among others, the voivodships of: Krakow, Lublin, Bialystok, Bielsko-Biala, Ozestochowa, Odansk, Lodz, Grozow, Katowice, Leszno, Opole, Poznan, Tarnow, Tarnobrzeg, Wroclaw, and Zielona Gora.

The small industry which is coming into existence ought to meet as rapidly and fully as possible the needs of the local market and react with flexibility to changing demand. On it rests the obligation to start production of needed food articles for which the raw material is available locally and allotments from a central distributor are not sufficient. And so, we are expecting initiative and resourcefulness.



To illustrate this idea, I should like to use an example. Not so long ago the Centrum Department Stores showed a collection of youth clothing, in the so-called "trapper style." The collection has met with approval. Customers stand in lines to buy these garments. However, the quantities supplied to the market by the present manufacturers are not large, being limited by production capabilities. And yet, if someone would take interest in the topic on which there were articles in the entire central press, I believe that in at least 10 to 20 voivodships, by utilizing the potential of small clothing industry plants, especially of labor cooperatives, and by adapting or simply copying the models shown, it would be possible to produce a quantity of this attractive and sought-after clothing which would suffice to supply the local market. Such projects, which increase an already approved goods offer, will receive the full support of the Committee for Domestic Market Affairs.

We discussed these matters with vice governors at our recent meetings in macroregions. On our part, we will consistently implement all the agreements, but we expect greater activity from voivodship authorities. These, utilizing their possibilities and competencies, should organize new small industry enterprises, adapt numerous small installations which still have not been utilized or have been poorly utilized, modernize already existing plants, and increase their potential.

#### Achievement and Weaknesses

The social atmosphere of satisfaction with the market supply--apart from the very supply of goods and their quality--is being determined to an increasing degree by the manner of rendering services to the population. Hence the Committee for Domestic Market Affairs regards as the essential part of the projects being discussed today the modernization of trade operations and further improvement of their efficiency. It is true that there has been definite progress in this area, as a result of the honest and self-sacrificing work of many business people. We see and appreciate this.

However, today we must focus our attention, above all, on phenomena which diminish this achievement. And it is also true that in spite of increased social and ministry control, annoying and quite common phenomena continue to occur, evidence of poor management, low effectiveness of utilization of goods which are made available to trade, organizational weakness, and also--not infrequently--dishonesty and outright speculation.

In a situation of insufficient goods supply, these phenomena are especially annoying to our society. In spite of these questions having been raised many times, these occurrences are even on the increase in some areas of goods turnover. For this we blame a fairly large part of the management cadre, at all levels.

In this complex and difficult market situation, after a perhaps sufficient period of education and appeals, we should pass on to a consistent accounting for duties performed by us. How long can we tolerate cases in which the



merchandise is in the warehouse but is lacking on store shelves? Controls of the State Trade Inspection which discover these situations, when repeated after a few weeks in the same regions and cities, reveal that no improvement has taken place. What is the management of such an enterprise doing, in what are the supply services engaged, and where is supervision on the part of the Ministry of Trade? At least one proof of the low level of discipline of many supposedly responsible employees of trade enterprises who occupy managerial positions is the actual implementation of the decision concerning the operations of the commission agency system.

### It Is a Good System, But...

Social and economic reasons make imperative a further development of this form of sale. It is mainly in this way that trade should secure additional employment, in conformity with the Sejm resolution concerning the national economic plan. This form has been developing advantageously, and recently at a much faster rate, in Hungary, GDR, and Romania.

Its further development is in the interests of the consumers and the market. It is to bring about an improvement in the quality and efficiency of customer service, and an improvement in the market goods supply which is estimated in the current year at about 9 billion zlotys; moreover, it is to bring about elimination of unnecessary positions and an improvement in the profitability of another 12,000-14,000 small stores.

These are our program goals, justifiable goals which our society accepts while expecting results. In practice, however, not always and not everywhere have these expectations been met. In some commission agency centers there have been abnormalities which have been justifiably criticized. The criticism, as a rule, is not concerned with the essence of the system but precisely with these abnormalities. They consisted, among other things, in a liberal, not to say, patronage-type selection of commission agents in some especially attractive sectors. Not infrequently these were people without professional training, or people with high qualifications in specialized professions who had been educated at state expense. Instances would also occur of handing stores over to people whose morals and professional ethics had not been checked. A person who had been dismissed several times, occasionally in a summary fashion, would receive authorization to manage a store.

Some enterprises did not define too precisely the amounts of commission payments on the anticipated turnover. The fact that a store was no longer bringing losses was sufficient. The area of assortment was not controlled adequately. On-time payments, and other financial obligations of the commission agents toward the enterprise, were not exacted.

Did these phenomena occur on a large scale? No; research, consumer opinion polls, social and professional inspections, all point to the limited scope of these irregularities. We cannot, however, close our eyes to the fact that they produce a definite public reaction and even negative opinions

regarding a commission agency in general and thus do substantial damage to a form of improving the efficiency of trade operations which is the right one in its assumptions and perspective.

The original regulations concerning management of a commission have been revised; it can be stated that today they are sufficiently detailed to protect the state's interests. The above-mentioned irregularities are basically a matter of practice. Let us ask these questions: Precisely who makes a commission agency agreement with an electronics engineer, a physician, a lawyer, etc.? Who is responsible for entrusting a store to people whose professional ethics have not been checked? Who is in charge of setting the amounts of payments and financial obligations, etc. etc.? This is done by definite people who hold definite positions. Their elementary duties include acting in accordance with social and economic good. Precisely these comrades must take notice that a decision about handing a store over under a commission agency system is not getting rid of a problem but a responsible management decision. It is a decision like any other, with all the indispensable elements that a management decision must include. And so, there must be detailed financial guidelines for sales centers; there must be proper selection of personnel and control of the selection process. It is necessary, then, to draw conclusions regarding people who are responsible for incorrect decisions, and not to throw out the proverbial "baby with the bathwater."

To prove that these are not empty words, I will give a few examples. They speak for themselves, all the more so because they are from a recent period. And so, in the first quarter of 1980, a check of the selection of commission agents was made in six voivodships: Gdansk, Elblag, Kielce, Leszno, Przemysl, and Zielona Gora.

The exact results of this inspection are the proven facts that in 117 cases stores were handed over without the obligatory inquiry about a person's record of criminal offenses; in 124 cases, people were hired without any references from their previous places of employment; 11 commission agents turned out to have been summarily dismissed or to have court records. Lists with the inspection's findings have been sent to voivodship authorities. And yet the question here is that of most basic obligations and matters which are so obvious that it is hard to believe that they can occur on such a scale in a time when topics at nearly every meeting are quality of work and management responsibility.

#### General Conclusions and Concrete Stipulations

I discussed the topic in more detail, treating it as a captured and documented example from which more general conclusions can be drawn.

Effective management--if we do not treat it as an empty slogan--requires everyone to perform accurately and honestly, in position, all his prescribed duties. In this context, we also must confront trade with definite and timely demands. We must finally deal with phenomena which disturb the

normal rhythm of the operations of our meager trade system. And so, we are formulating the task of, by the end of the year:

--eliminating goods inventories during working hours;

--bringing about a situation in which at least half of the stores will be supplied after closing hours;

--increasing by 17,000 the number of persons employed parttime, especially during peak hours--utilizing fully the wage fund which has been additionally earmarked by the government for this purpose;

--making an efficient and accurate analysis of supplies, accelerating their rotation, and bringing about uninterrupted supplying of stores with goods from warehouses.

I do not conceal that the control apparatus of the ministry and of trade agencies will intensify its checking of the fulfillment of these tasks.

The outlined programs of action, indispensable today for the improvement of the market situation, can be effectively implemented only in full collaboration with party echelons and local authorities, with their active support as given until now. And so, on behalf of the Committee for Domestic Market Affairs, I appeal to comrades governors to carry into effect their wide competencies and fulfill the duties of the principal managers of voivodship markets as having vast management powers both in the matters of the functioning of trade and services and in the matter of market industry. On our part, we want to assure that every initiative favorably influencing the market will be considered thoroughly and rapidly by the Committee for Domestic Market Affairs.

#### Katowice Domestic Trade Situation

Warsaw POLITYKA in Polish No 21, 24 May 80 p 4

[Article by Tadeusz Biedzki]

[Text] One of the directors of Katowice trade has changed his office stamp 5 times during the past 10 years, although he has held the same position all the time. A store manager, when asked for the name of the current head of the enterprise he was working for, was unable to give it, adding apologetically that it had no significance because before long it was certain to be replaced by another name. This lack of belief in the permanence of organization models of trade is reinforced by the still visible neon signs, outdoor advertisements, and store signs of no longer existing institutions. ARGED, OTEX, ZURT, MHD are already part of history. But, in the final analysis, as the Katowice business people estimate, recently they have not had it so bad. They have been operating 4 full years without a reorganization!

They are wistfully hoping that this situation will last for the next 5 years. Then, they are convinced, they would recover completely. But, unfortunately, nobody can promise them any stabilization.

#### Without a Standstill

The City Retail Trade [MHD] was the first to become fixed in memory. From it, the present Voivodship Domestic Trade Enterprise [WPHW] takes its origin. Older people remember MHD with affection; they assert that it was the best. Is it only sentiment? There are those who think that MHD operated more efficiently. The management was close to the customer; it was under the city's authority and it had to do what the authorities wanted it to do and what the city councilmen had won by a hard fight. Now the influence of the city authorities on city trade is minimal.

MHD was a result of the so-called battle for trade, fought in the years 1944-1949; department stores established in those times are still operating today, but on different principles. Changes in organization were accompanied by changes in management. There were changes in personnel and in principles of management as well as in organization schemes, but there was no increase in the number of the system's stores merely because of their having been transformed from one list to another. In keeping with the spirit of the times, centralized management methods which were to be a panacea for all kinds of complaints were introduced; instead, those methods introduced confusion. No one knew whom to take orders from, where to send reports, and whether to write them at all. Store shelves became empty, although in general there was merchandise in warehouses. That gigantic trade enterprise proved completely powerless and unable to function. And so, life began to break it up into smaller and more functional enterprises.

But life had to be corrected. The correction was made in 1956, by again merging the separate firms, naturally under a new firm name. The following year brought the so-called "small trade reform," which was small in name only. In 1958 there was another reorganization. In 1959 there was a subsequent one. Then came other reorganizations. It has not been possible to figure out how many of those there were in the 1960's, and the persons who have conversed with me do not remember exactly. There were centralizations and decentralizations. More or less successful associations were created, as, e.g., Association of Enterprises of City Meat Trade and Baking Industry ("a roll must be eaten with sausage"), and then they were disbanded. At any rate, something was happening. There was no standstill.

It happened likewise in the 1970s. In the years 1973-1975, sector-type wholesale and retail trade enterprises came into being. OTEX (clothing and footwear), ARGED (household economy), State Furniture Trading Co, Jubiler, ZURT, State Paper and Sports Goods Trading Co, Photo-Optical Trading Co, were, as professionals assert, the best organization models up to the present time. They were neither too large nor too small. They were specialized and therefore professional; they were connected with the region, but not



entirely, and therefore they were self-dependent. But the administrative reform of the country stimulated the aspirations of voivodships. Division into sectors had to succumb to division into territories. WPHW came into being. It was the year 1976.

The ministry published the organization scheme which was the same for all voivodships regardless of their economic development, e.g., for Katowice and Lomza. In Lomza Voivodship they started thinking how to create an enterprise out of nothing, while in Katowice Voivodship they began to think how to organize a giant enterprise so that it might be able to function somehow.

The concept, which had been born in Katowice, was awaking hopes. As everywhere, a board was created for WPHW which here, however, was to decide the most important matters, thus, to carry out the voivodship's trade policy; concrete work was to be performed by four regions: Katowice, Sosnowiec, Gliwice, and Rybnik. Says a WPHW deputy director: "That was really a good solution. It provided for considerable efficiency and flexibility and for a relatively small bureaucratic apparatus." In order for such a model to function, however, it was indispensable to construct large, modern warehousing bases in each of the four regions. In Katowice they coped with it rapidly. Hope began to dawn that in Silesia there would come into being the first up-to-date trade firm in Poland. It turned out to be hope and nothing else, because of the coming of investment restrictions. The other bases, then, remained in the sphere of dreams and we still do not know today whether they will leave that sphere. Once more it turned out that reorganization must not only be thought through but must also be financed. He who wants to reorganize must have a full wallet. Otherwise, it is a waste of effort.

#### Between Concept and Life

The ministry and the local authorities were demanding results. ("We had to settle for a different, much more inferior, concept, in order to be able to write reports that the reorganization had been carried out.") Within the framework of the enterprise, 11 local divisions were created. But the local division was not enough. Consequently, WPHW was also divided according to sectors. First, it was divided into three so-called need segments (clothing, housing, sports and recreation). Then the segments were broken up into sectors. There are between 10 and 20 of these. Each one has its own supply service, its own warehouses, etc. Each has its own administration. The management has been divided into five echelons. A hybrid has come into being, whose structure it is impossible to comprehend. Horizontal and vertical connections cross each other many times. The organization scheme is completely undecipherable, and even for a professional it is difficult to figure out from it who is under whose authority and who cooperates with whom. Even more difficult it is to take care of some business.

Well, because it is like this: a store is under the authority of a division, a division is under the authority of a board, the division management is under the authority of a voivodship central office, and the central office



is managed by a board. Divisions may not buy goods independently. A store manager should, then, order goods from the central office. But not every manager can. If a store is small, an order passes through several levels, starting with the division supply unit and ending with the central office. A large store may order directly from the sector supply unit in the central office. What, then, is a division for? "I, in order to have something on my store's shelves, even so, take care of this matter differently," says a store manager, "however, I will not say how I do it, because it does not quite follow the regulations." And so, a principle is confirmed that the more complex an organization structure is, the stricter the regulations are, the more frequently one bypasses them.

An overblown structure requires numerous administration. The director of WPHW has seven deputies, a chief bookkeeper with rank of deputy and, additionally, four principal deputies who are de facto deputies of deputies. When it becomes necessary to take care of some interdepartmental business, it is necessary to run around a lot--literally, because each director has his office in a different location. The board of the central office has branches in 14 locations in 4 cities. To this we should add the boards and management of divisions. These also have their directors, deputies, and deputies of deputies--also in various locations. The more we learn the less we know. Thus, the Voivodship Domestic Trade Enterprise, just one enterprise(!) is managed by about 60 directors.

Similar situations exist elsewhere. Even in the smaller WPHWs there are visible tendencies to create divisions, regions, and branches, because it is impossible to manage efficiently a store which is at a distance of 100 kms. And so, in all 49 voivodships, for the umpteenth time, reorganization is being carried out.

#### Nothing For Free

An economist: -- Reorganization always costs. It always introduces confusion while changes are being made. In the initial period it lowers the effectiveness of an institution's operation, even if the changes were justified, properly carried out and brought about the creation of an organization which is more efficient than the previous one.

A sociologist: -- By causing the breakup of the existing formal personal structures, a reorganization creates tensions between individual informal groups; it breaks up those groups, thus contributing to the slowing down of the information flow. With this opportunity, the existing principles of cooperation, collaboration and rivalry are eliminated, being replaced by new ones which either will not be accepted at all or will be accepted only after the lapse of a longer time--never, however, at once.

A psychologist: -- A reorganization produces stresses, states of uncertainty and of feeling lost. Not infrequently, also, dislike or even outright hostility toward new structures, principles, or people, are the result. At

times, especially in case of frequent changes, it simply discourages action, killing activity. Because most people desire stabilization, and its mainstay is the certainty and stability of work conditions.

I have not been able to determine how much the most recent change in the structure of Katowice trade cost, and what was the cost of the previous ones. Indeed, such statistics have never been kept because there has been no time for it. It was necessary to reorganize because such a directive had arrived--and a reorganization was started. The replacement of store signs and office rubber stamps alone cost millions of zlotys. And the "sectorizing" of stores? WPHW took several tens of facilities over from Spolem, giving up others in return. Both kinds had to be modernized. Renovations were long and costly. Stores were also taken over and given to neighboring voivodships. These are just small examples of calculable losses.

And what about incalculable losses? Quite a few people have left, including many good professionals, persons of considerable experience. Many young people with ambitions and ideas have also left. They have sought a better chance elsewhere. So it is only now, after 4 years, that it has been possible to solve somehow the problem of personnel. But some kind of uncertainty is still being felt, coupled with disbelief in the permanence of the present organization model, which obviously does not make the work easier.

Joseph S., a retiree: -- I retired in 1978, after 47 years of working in trade. Do you know how difficult it was for me to prove my continuous employment and how much I had to run around, how many documents I had to read through? The institutions for which I worked have been out of existence for a long time; employment records have been scattered through many firms or do not exist at all. None of our enterprises is concerned about what all the world cherishes--a firm's name. And yet many firm names simply caught on. People have been using them to this day, in spite of the fact that they are already out of date. Perhaps one day people will also get used to the present firm names--of course, if they have sufficient time to do so.

I doubt it. The minister of domestic trade and services recently issued a directive about the creation of a new state Jubiler enterprise. Some jewelry stores have been excluded from the WPHW organization structure. Thus, in a gentle and unnoticeable fashion, a new reorganization has begun. Rumors are circulating about furniture and photo-optics. No, in trade they will not be bored.

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EFFECT OF CHANGES IN EMPLOYMENT STRUCTURE DISCUSSED

Warsaw POLITYKA in Polish No 26, 28 Jun 80 p 3

[Article by Marta Wesolowska: "My Work, My Self-Esteem"]

[Test] On the example of the Lomza and Wloclawek voivodships, Marta Wesolowska describes the material and mental state of the labor market at the time the Sejm was deciding on revisions to the plan. She and the people she interviewed also reflect upon the effects of these decisions and methods of alleviating the problems resulting from the unavoidable changes in the employment structure.

On June 19th, during the deliberations of the executive board of the PZPR Voivodship Committee in Wloclawek, Pawel Bozyk, a delegate to the Central Committee, said that of 12 million working Poles, every day one million do not appear for work. This impressed the listeners, because later during all the discussions, this statistic kept coming up as proof positive of the statement that "people do not respect their work." The announcement of revisions to the plan was greeted with relief insofar as they related to the material things, such as the amount of production; but where they related to people, the prospect of revisions was greeted with some anxiety. "I am not panicking," Edward Szymanski, the Voivodship Committee's first secretary, said to me immediately after close of the deliberations. "I believe that these decisions will resolve the fictitious disparity between supply and demand of the work force. To cover themselves, plants frequently report a need for for new workers, so as not to lose their wage fund for the following year. These permanent positions, which are then deducted, often exist only on paper. Their deduction does not mean that real live people are now without jobs.

Our economo-financial and planning mechanisms contain too many paradoxes which cause the employers to behave irrationally and demoralize the employees. But we provoke this behavior, because we allow people to take advantage of loopholes in the regulations; because of the differences in wages in different sectors; because it is possible to quit a job and constantly seek another; and because of the impotence of the plant managements, which

have no choice but to tolerate infractions of discipline, alcoholism and loafing. I have observed that plants create a supplemental "insurance" group of employees for themselves. At the moment that work has to be done, there cannot be a shortage of people. Such a system of using people to patch holes in the management's organization obviously does not serve to increase the worth of the worker either to himself, to those around him, or to his employer. That is why he is often unhappy in his job.

I hope that if the employee has a greater respect for his job because it is harder to get, then the employer will begin to value him more because he will not get him so easily.

## The Official Part: People and Things

### Encouragement

In the Wloclawek and Lomza voivodships, as in others, actual production figures for the first five months in 1980 differ from those that were projected. The reasons for this are interesting. For example, the "Azoty" [Nitrogen Plants] had exceptionally low labor productivity during this period. "Azoty" is a very modern plant, operating under license, built by the English, French and Japanese, producing ammonium nitrate, a synthetic fertilizer in demand for domestic use and export. Production in relation to annual goals was also low. The cause: principally the reduction, by one half, of natural gas deliveries due to a fire at the gas supplier in Odolanow. But of course it was more than just that. Jerzy Kurzewski, managing director of "Azoty", pulls out some computer printouts: Of 3,800 workers (including 1,200 white collar), 490 workers left in 1979, of whom 50 quit and 150 resigned. Most of those that resign are commuters, if they can get a job closer to home at the same money, and those that are pirated. The "Azoty" also pirates, a fact that the director does not conceal. He still needs 850 workers to open the second stage, the chlorination plant: men, specialists. In the meanwhile, the Chemical Technical School in Wloclawek is teaching girls; 1,200 women already work in the plants but for health reasons they are absolutely forbidden to work in the chlorination plant.

When the English specialists leave next year director Kurzewski will have over 600 dwellings at his disposal. The living conditions offered by the plants are excellent. There is plenty of incentive. But it will be most difficult to obtain automation engineers, electricians, power engineers, mechanics and metalworkers. The housing must compete with jobs abroad offered to the best of these specialists by such firms as MOSTOSTAL and BUDOPOL. I pirate, you pirate... That is why wages in the "Azoty" must grow.

And if director Kurzewski does not get these people? If there is a shortage of spare parts and imported materials? Or Gas? "Well, then we will have to shut down or produce correspondingly less fertilizer," the director replies. "But in that case, why did we build this?... No, I do not expect that any such cuts will be made."



## Powerlessness

In the entire Wloclawek voivodship during the first five months of 1980, 10 enterprises did not fulfill the plan and 24 exceeded the employment and wage fund limits. The common "internal" causes: raising the lowest wages and payment of anniversary prizes, in accordance with Council of Ministers Resolution No 138, which requires that only two witnesses testify that a person has worked in the past. Continuity of work is not required. This good deed came as a surprise to the plants and placed an additional burden on the wage fund. Director Tadeusz Jaochimiak from DRUMET ("I was a bureaucrat," he said) required notarized affidavits from witnesses because this sudden expenditure so greatly worsened an already bad financial situation. In addition, one fourth of the over 2,000 work force changed during the year.

Ninety percent of DRUMET's fixed assets were purchased in the West. The plant paid off the foreign exchange credit, expanded export of cable and wire, but a portion of the machinery is idle for lack of production personnel. This unskilled collection of people, picked at random, is accustomed to relatively simple tasks. The people work for a couple of months and leave. "We called in a specialist on socio-occupational adaptation, but this has not helped. Either we don't know how to do this, or it can't be done," director Jaochimiak says helplessly. Wire-drawing is a dirty, boring, three-shift job. Women make up 30 percent of the work force because men will not work for women's wages. "Although the penalties provided by law were applied (270 during the first quarter of 1980) to workers leaving their jobs, no improvement is observed... the problem is the indifference with which the job is done and the rules are observed... by persons taking a job here after having been employed by many other enterprises. Almost half of those terminated during the first quarter quit their jobs." (From an analysis of the causes of turnover).

## Debarking

The wage fund, projected employment and annual limits of overtime hours were also exceeded in the Wloclawek "Celuloza" plant. "Celuloza" is one of the oldest plants of this type in the country. It produces paper on machines dating back to the beginning of the century, machines that often break down. Yet, thanks to the 2,500 work force, we are still able to read this paper, for example. The possibility of reducing production and employment? "But we have already reduced it!", Jan Rogowski, first secretary of the Plant Committee, tells us. "During the first quarter of 1979 we were frequently idle; the timber was not delivered; the coal did not arrive. We did not put a debarking machine into operation until the Eighth Congress; before that the timber was debarked manually and it was very difficult to find people who would do this." True, 20 permanent positions were saved (out of 300) by this new automated machinery, but in order to increase it perceptibly it will be necessary to modernize the entire technological train; this is a dream of the future.



Those in the "Celuloza" plant are afraid of the opening of the second stage of "Azoty" because although they have had here also an average wage of 5,000 zlotys, they know that a part of their work force will go to the newest sector. And they say that they are already short 270 workers to meet their needs. "Celuloza" survives because one-fourth of its employees are old-timers who won't go anywhere else. The young workers prefer full automation, plus even the remotest chance of obtaining housing. In 1980, almost 200 fewer dwellings will be built in Wloclawek than had been anticipated. And 10,000 people are waiting.

There is a deficit of over seven million zlotys in the "Celuloza" wage fund, due to overtime hours worked which had not been budgeted; they were trying to fulfill the plan. "The plant is in continuous operation, three shifts, and because of health and safety regulations, workers cannot stay on the job longer," explains the director, Henryk Barabasz. "And so it waits until morning. If there is an accident, I go to jail. That is why I am so careful about the permanent positions."

The discussion with the association on increasing the wage fund lasted six months, until the association gave in and granted an increase. There are no permanent positions and there probably won't be.

The "Celuloza," DRUMET, "Azoty," and the Wloclawek "Lacquers and Paints" plants all have one common feature: a reduction in production does not result in a reduction in employment. The technological processes require the same number of workers, regardless of how much paper, wire, or ammonium nitrate is produced. It costs too much to eliminate the third shift, to shut down and start up again after eight hours.

#### Looking the Other Way

The final example in the official part is from the Lomza voivodship: the Cotton Industry Plants; 3,000 employees; 60 percent women; 40 percent peasant workers; turnover, over 20 percent annually. In 1979, 130 workers quit their jobs. The plant was built a couple of years ago in the middle of nowhere, a locality without traditions and without qualified cadres. Cadres and the entire management came from other voivodships, and a large number of them are counting on returning to their home bases of employment. One thousand people commute daily from neighboring villages, an hour or longer. Raw materials are distributed from a central source; imported dyes and aids fill 70 percent of requirements.

The fact that on the factory floor a worker is sleeping at his machine, and elsewhere one is eating, is not unusual, for the "Cotton" management cannot conduct an orderly employment policy. Fired workers cannot be easily replaced and the employees know this. And so it is necessary to look the other way. The directors dream of being able to be selective, to be able to fire the worst workers, those who sleep and eat for 5-6,000 zlotys at ultra-modern automated machinery of French, Italian and Dutch production.

## Honor and Degradation

The chiefs of the employment departments, Antoni Chojnowski in Lomza and Jerzy Modrzejewski from Wloclawek, representatives of the authorities and the administration, and managers of both voivodships, agree that the muddled situation in employment must be corrected. All share the opinion that the specific solutions must be left to local authorities who know the local conditions. Centralization of decision-making would be very damaging here.

Lomza's problem, for example, is that the work force leaves for other voivodships (except for the planned recruitment for Katowice, Lodz and Warszawa) and that there are not enough cadres with higher or even intermediate education. The placement of "help wanted" advertisements in local newspapers is forbidden. For each vocational school graduate, two jobs are waiting, and if the graduate is a construction specialist, four job offers await him. Three hundred high school graduates are needed, while the graduates from the Lomza voivodship will total 150 at the most (will all of them want to return?). Thus, as early as March, with the help of Radio Program III and the Socialist Union of Polish Students (SZSP), a labor exchange for graduates was organized, enticing those who would voluntarily choose the Lomza voivodship with its beautiful landscape, the prospects of a fast-climbing career, and priorities in housing allocations. They were able to recruit 52 workers.

In the entire Lomza voivodship (63,000 people in the socialized economy), 14,000 left their jobs in 1979, of whom 2,200 quit. Construction is the most unstable, and it is no wonder, since a day's private wages in season are 800-1,000 zlotys. From spring to autumn, a job paying better than government wages can be found in farming. In any case, in the Lomza voivodship permanent positions have been blocked since September. Although theoretically there are vacancies, e.g., in the Zambrow plants on three shifts, none of the 200 people looking for temporary work want to go there. These 200 people are under the solicitous care of the Voivodship Unit on Employing Persons Leading a Parasitic Way of Life. "We suggest, we plead, we try to persuade them to take a permanent job somewhere, but they would rather unload railroad cars," director Chojnowski complains.

The state of transportation, trade and services in the voivodship city of Lomza is far below average. Bus stops exist in theory, but there are no bus schedules; opening and closing hours of the few and neglected stores and bars depend on the goodheartedness of the store staff. "Is there a chance that those released from industry and administration will strengthen, help, restore?", director Chojnowski reflects. --"Those from industry, the two-jobs people, will probably return to the village. Those from administration, accustomed to offices, will be difficult to entice into a new job. This is a matter of psychological resistance to a change to a job that is felt to be degrading, regardless of how incorrect this may be."

## A Clear Outline

In Wloclawek the railroad cars are unloaded by those on the fringes of society. "And we are lucky that they do this," says director Modrzejewski. Because otherwise the demurrage would be still higher.

Just as in Lomza, the greatest movement of people is in construction. The work force of the Construction Factory turns over almost 100 percent during a year. Average turnover among about 106,000 employees in the socialized economy is approximately 20 percent. Among those terminated, about 20 percent quit (3,000-4,000 each year). Those changing jobs can be clearly delineated: they are the young men, women, those with the least education, unskilled, employed in the lowest positions, and heavy drinkers. There are few exceptions. The director observed that the people who constantly change jobs are precisely that rather large group of floaters who know that with each new situation they can wangle higher wages from a coerced employer than they received on their last job, regardless of how short a time they had been there. The paradoxical result is that the person who floats makes more money than the one who stays on the same job for 10 years. Director Modrzejewski himself, in order to increase the pay of a senior office employee, must change that employee's scope of activities, for the applicable wage table does not allow more money for a job in which this employee has served so reliably for many years.

In 1978, the Wloclawek department of employment issued 25,000 job referrals; in 1979, 22,000 referrals. This included 16,000-20,000 who change jobs, often a couple of times a year. The main reasons: low pay, poor work organization, lack of interest by new hires in adapting to their jobs, and finally, lack of work. The director said that often enterprises, particularly construction, in order to conceal their organizational management ineptitude, hide behind the smoke screen of a "fight for people," without a semblance of a job for them. December, for example, is the traditional month for taking on the completely random elements, straight from the street, simply to be able to show full employment to the association.

### The Artistic Part: Activities, Hopes, Current Business

Immediately after leaving the voivodship committee conference hall, director Modrzejewski scribbled a note to his employment personnel staff in the entire voivodship: withhold job referrals to all those who quit their jobs. Compile a record of those fired for unexcused absences, drinking, or other serious work infractions, together with data on family, material resources, and job information, with particular attention to how many jobs they have quit. Issue no new job referrals to these people for at least two to three months. Enough of this laxity.

At the same time the director recommended that a study be made of permits for semi-permanent positions, and that granting of permits to farmers to take jobs in industry be made subject to agreement from the gmina leader.

The flight of agricultural school graduates from the village to offices, which has been accelerating recently, will be halted by an order forbidding it. This is justified by the fact that needed specialists are being wasted and pressure on housing and municipal services in the cities is increasing. "The total ineffectiveness of such a ban argues against it," says Cezary Adam Racki, a farmer from Niesza, who fought with the city administration for a couple of years before he voluntarily settled in the village. "In farming, more than anywhere else, one can work well only if he likes it. If this is my work, then this is my self-esteem. If not, no force will help--only the land will be wasted."

#### Agencies

The blocking of permanent positions did not affect trade or services either in Lomza or in Wloclawek. But director Modrzejewski, just as his colleague from Lomza, does not believe in the automated flow of people from industry and administration directly to stores and work shops. He places some hope on activating the private market. It functions independently of the State market... Would it not be possible to expand the concept of agencies, to make possible, for example, the creation of teams of architects designing interior orders from clients--private and State--for dwellings, offices, stores or coffee houses? Or construction teams, working on small housing developments, remodeling, or single-family houses? Is there some good reason why certain offices cannot be turned over to agencies, or is this the result of our structured thinking: because something has been that way for many years, apparently it must remain that way.

I tell Lucjan Truszczyński, director of the Wloclawek Voivodship Domestic Trade Enterprise (WPHW) (1,200 employees) of these thoughts and ask him if he would take over a business, such as the WPHW, and if he took it over, what would he do first, as an agent. "Well, first I would dismiss about 300 bureaucrats," he answered after a moment's thought. "Then I would assign some of them, but only those who are willing, to stores. To do well in trade one must like it. I would be under the financial control of a bank horizontally and the association vertically. This should be a single-sector enterprise, either only clothing, or only mechanized equipment. And I should be left alone for five years, with no harassment... Actually, why not?"

I tell Stanislaw Bagdzinski, the Wloclawek vice voivode, of my idea. Would he go for such an experiment, if he were allowed to make the decision. "The largest number of improprieties exist in construction--falsification of statistics, faulty supply of materials. I wish the voivodship itself were permitted to lay out the fulfillment of the plan in five years. How many slippages could be avoided, fulfillment of a year's plan in 17 months..". The vice voivode would be ready to let the business of construction be handled by agencies if not for the possibility of complicated swindles, bribery, etc. For the same reasons, he would hesitate to expand the concept and scope of agencies. "We have already relinquished what we could,"



he says. "Although," he thinks aloud, "many people build on their own. Actually, it would be well if we could make it possible for them to legally hire a specialist, who would not bungle the job and would not steal materials from State construction, but would have his own pool of materials and would work economically and on schedule. But how can we isolate such a pool of materials, of which there is an overall shortage? There would be an immediate outcry that the nurseries and hospitals are waiting... But what if we could allot materials for this pool from housing construction?"

We agree that in a situation where the dwelling has ceased to be simply the family abode, but is a factor in the location of the job, the quality of the job, the alleviation of transportation due to less commuting, then if dwellings, which we cannot build fast enough to satisfy needs (we will be several tens of thousands short of our goal) can be built more rapidly and more efficiently and be well-decorated--then maybe it would be worth experimenting. We could provide interesting work, the opportunity for good earnings, and a field for developing the ingenuity of people with initiative, who prefer to take risks than hold down a permanent post. "Actually, management efficiency suggests that this be taken one step further," vice voivode Bagdzinski reasons. "Say, for example, in our voivodship budget we reduce the wage fund in the socialized economy and transfer a part to the nonsocialized economy (of course we are able to do this now, but very minimally). Then we would be able to refer certain construction jobs (this shopping plaza, for example) to a private firm."

Of course we again agree that a stable policy in regard to such an expanded private sector would be indispensable. In past years, because the term "private shopkeeper" was used with contempt, many decent people were discouraged and left. And if the constitution says that work is a matter of honor for each citizen, no where does it add that private work should be disparaged or be less respected. Stated simply, we should create conditions for the private worker that will allow him to earn an honest living and not be afraid to let the authorities know that he is doing so. No financial conditions should be set up which have a built-in dishonesty factor. "We must seek solutions which link social goals with economic goals and with the state of our economy," voivode Bagdzinski adds. "Decreasing industrial production and reducing employment there may improve the state of our agricultural economy, services, trades and crafts. It may promote the development and improvement of an agency system and expand the nonsocialized sector in construction." It may, notwithstanding all the reservations expressed by the industrial managers and employment chief in the official part.

#### More Literally

In Lomza and Wloclawek only one person with whom I spoke opted clearly in favor of creating a "small but visible group of jobless," as a work incentive to others. Most frequently attention was called to other matters:

-- The possibility of abuses in dismissals, in handling people who are



difficult or controversial. It was suggested that control bodies be initiated--why not social control committees?--so that, particularly in small localities and plants, connections and deals do not win out over qualifications.

-- Forced migrations will begin; probably the people with higher or intermediate education, some specialists, will become more mobile, will go where there is a chance for higher earnings, housing and advancement. Housing will play an active role here, as much restraining as impelling to a change in location.

-- In Wloclawek there are 12 taxi drivers who have a higher education, including a couple of humanities scholars. This is good. The fact that agents, gardeners, chicken farmers, owners of taxis, are well-educated will certainly have a positive effect on raising the average cultural level in these occupations. It will increase respect for them and with time, will help destroy the anachronistic divisions of occupations into those that are less noble and more noble.

-- This is an opportunity for the "Polish office" (this is a phenomenon worthy of a doctoral dissertation) to stop fulfilling the function of "public workshops." That is, as a substitute for a place of work, where people are employed through the benevolence of the State. According to the original concept, the public workshops brought social benefits (e.g., decent roads). Perhaps it would be better to start up some works that do not require investments or offices, as for example, borrow from the Swedes their institution of a substitute mother, a woman who has a house and who takes care of children in the neighborhood in return for a good salary paid out of the neighborhood or city administration office. The parents pay the amount due to the administration office. How many women on unpaid maternity leave, who are looking after their own child, would want to do this, and supplement their income?

Our 1952 constitution states that "a job is the right, the duty, and a matter of honor for every citizen," and that "from each according to his ability, to each according to his work." It seems appropriate to me at this time to remind employees and employers that the constitutional principles continue to be binding even during economic tensions. Only perhaps they should be interpreted more literally.

## REQUIREMENTS FOR IMPLEMENTING HOUSING PROGRAM SPECIFIED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 4, Apr 80 pp 13-15

[Article by Albin Plocica: "Requirements for Implementing Housing Program"]

[Text] At the beginning, I wish to emphasize the praiseworthy fact that the long range party housing program presented and accepted at the Fifth plenum of the Central Committee actually retains its high-priority status despite real difficulties in the development of the country due to internal and external conditions and that there are significant achievements in the program's implementation.

In the years 1971-1980, housing industry will provide about 2.7 million apartments which mean an improvement of living conditions for about 9 million people. This will be about 1 million apartments more than was provided in the preceding decade. Thanks to this, housing density will decrease from 1.33 persons per room in 1970 to 1.06 persons per room in 1980. During this period the standards of apartment construction and functional design, room composition and size have noticeably improved.

Also, it deserves emphasis and support that the priority of housing construction will be maintained in the next 5-year period despite many other urgent needs and alternative economic uses. Full implementation of the envisaged program of providing at least 1.7 million apartments will significantly help to improve housing conditions in our country. This will still not fully solve the housing problem and, consequently, it is necessary to undertake further efforts to increase the planned results and to improve their quality.

In view of the above, I would like to submit for consideration certain social and organizational questions whose solution would serve to improve the efficiency of implementing the housing program in the next 5-year period.

First is the question of the standards of housing construction. The practice of the current decade considered as the most important indicator of improved housing construction standards the increase of floor space of new

apartments and definite progress was made in this area. I believe that this approach was correct and well justified in the last decade, especially in view of the low floor-space standards in the preceding decade.

As the result of this policy, the average usable floor space of all apartments built in the country, i.e., including individual ones, increased during the current decade from 54.3 square meters in 1970 to about 65 square meters this year. In the cities, it increased from 47.3 to about 60 square meters of usable floor space and, in socialized housing, from 42.7 to about 52 square meters.

In view of impressive achievements in this field and in view of the difficult economic situation and limited resources of the country, I believe that the apartment floor-space standards already achieved can be temporarily considered to be optimal and that merely to increase the average floor space of apartments built should not be treated as the main objective and should not be the chief means of improving housing construction standards in the coming years.

The main thrust and measure of improvement of housing construction should be an improvement of comfort, functional characteristics and quality of construction work, as well as provision of more plentiful infrastructure facilities and community equipment and services. Consequently, the efforts of designers and architects of the construction industry and of the industries producing construction materials, components and equipment should be concentrated more on these aspects of improving the housing standards.

This will require a series of production measures, technical, scientific and design efforts and also certain changes of organization and of planning for balanced outlays for housing, for balance within construction work capacity, for increased production of several construction items and equipment components and for improvement of their quality.

The more improvement of quality of construction work requires, as research and experience show, a variety of efforts and measures. The already started set of activities in the construction field aiming at improvement of the quality of components, installed equipment and products as well as at the improvement of quality of construction work, is rational and should be consistently implemented.

For this purpose it is necessary to undertake new measures and to find new planning and organizational solutions, provide more effective incentives and pay systems and also to implement some educational measures (and that should be done not only in the construction work area). Also, other ministries producing construction materials and components must actively participate in the improvement of housing construction quality.

Within the construction industry itself, in addition to other measures, the improvement of quality of construction work and apartment-use value

require: outlays and new solutions in the area of increasing thermal and acoustic insulation rating of components, walls and partitions; increased production of insulation materials; improved quality of woodworking, wall-papering, flooring and plastering; and extension and modernization of construction work potential in the area of component production and implementation of finishing work.

Another problem closely related to the implementation of the housing program deals with the internal balance of the housing industry. In the current decade, there has been a big step forward in the area of prefabricating and manufacturing structural shells for housing construction. In this area there was definite progress and a clearcut technical policy decision for our housing construction in this decade was clearly visible. During this period, 160 large plants producing prefabricated products were constructed and many other installations were completed, thus creating a technical potential capable of constructing 250,000 apartments in shell form per year.

Despite many efforts, the process of greater industrialization and integration of engineering and plumbing work related to land development for housing construction and of finishing work fell behind. There is also imbalance in the industrial and construction potential for implementing the requirements of social infrastructure in the communities. This imbalance not only affects average figures for the country but also hurts while building the majority of communities.

For this reason, the policy for technical development for the next 5 years must be oriented to:

- improving operation and modernization of the existing house factories in order to better their utilization, improve the results achieved by them and, above all, improve the quality of components produced by them;
- significantly increasing the capability of the engineering and plumbing specialties;
- expanding and industrializing the finishing work potential.

In fact, these directions are incorporated in the policy for technical development of the Ministry of Construction.

In the ministerial scientific and technical research facilities, the problems of insulating and acoustic characteristics of components, the problems of light portable toilets, of prefabricated components and other finishing components are being solved. However, quick industrialization of engineering and finishing work, an increase of production of insulation materials, especially of fiberglass, and an improvement in the quality of crushed stone, components and plumbing will remain serious problems in practice because of limited investment funds available for construction.



These measures and the means required to implement them are indispensable to overcome a few interrelated obstacles and the quantitative and qualitative problems of housing construction development.

These measures are essential to overcome the bottleneck in finishing work, the shortcomings of which clearly cause delays in completing apartments and impact on the quality of construction work. These measures are necessary to improve the use value of apartments and to decrease energy losses.

This is why, in the plan for the years 1981-1985 it is necessary to increase the outlays and means needed to correct the imbalance in development of construction facilities, for community infrastructure, and for the increase of production of insulation and finishing components on which the improvement of the quality of communities and apartments depends.

I would like to address one more group of problems related to efficient and effective implementation of the housing construction program. This deals with the improvement and better adaptation of organization of construction potential for the needs of housing construction.

The first conclusion is that it is necessary to provide additional technical strength to the construction industry resources existing in the voivodships, to adjust the industry's organization to the needs of housing construction and to assure better utilization of those resources.

The existing integrated enterprises, both construction and general ones, of which there are about 70 in 46 voivodships, need to be strengthened and supplemented with the indispensable production components. Because of their structure and development concept used to date, they are integrated in name only since they do not have the necessary production components and cannot produce complete buildings, let alone complete housing communities.

Research and experience show that to increase the efficiency and effectiveness of existing integrated enterprises' operations, it is necessary to develop their capability to do the engineering, plumbing, and finishing work and also to increase their design and transport capabilities.

On top of strengthening the production capability of integrated enterprises, it is necessary to improve their organizational structure, planning system and incentives. The currently most popular form of directing and managing these enterprises is through so-called leading plants and it does not work. Under present conditions the leading plants cannot properly manage themselves and other plants in integrated enterprises. This form of management leads to organizational disintegration within integrated enterprises, to maintaining many plants on full internal self-financing, to enlargement and duplication of many control functions such as: planning, enrichment, bookkeeping, clearing of accounts and reporting. The results are not more efficient management and better use of resources but a bigger management and administrative structure and a growth of management costs.

In the Construction Industry Institute of Management and Economics, work is under way to improve the organizational structure of the construction industry, including the integrated enterprises, and to develop management systems leading to their strengthening and to adjusting them to various local working conditions.

The second conclusion is to simplify the management structure. Under present conditions, the organizational structure of the general construction industry and housing construction industry is excessively disintegrated and multiecheloned. In the field, there are works management offices, independent production plants, enterprises and (many echelons of) associations reporting to the Ministry of Construction and the Headquarters of Building Materials Industry. Additionally, there is a similar structure of organizational and production units involved in general construction and housing construction under other ministries. This does not facilitate the management of construction resources in the country or in the voivodships, or the proper utilization of personnel and production facilities. This also leads to increased management costs and increased costs of construction as such. In this area, better, less expensive and more efficient organizational solutions can be found. I believe that the resources can be more integrated and organizationally adjusted to the voivodship level, that several unnecessary echelons of management and small and inefficient enterprises operating in the same area but reporting to different associations and ministries can be eliminated.

When the basic problems of building a large number of new apartments and communities are more or less solved and construction efforts shift to maintenance and modernization of housing resources, then uniformly organized and appropriately adjusted construction resources in individual regions can and should be managed by voivodship and city authorities. In some voivodships, the transition of construction work to voivodship authorities may take place earlier. I believe, however, that a hasty and unprepared transition of construction work to voivodships could cause turbulence in the necessary shifting of resources and their modernization, in the supply of technical materials, in correct operation of equipment and means of transportation and in the policy of technical progress which would result in lowering the rate of construction of new housing stock.

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## NEED FOR SELF-MANAGEMENT IN ECONOMY STRESSED

Bucharest CONTEMPORANUL in Romanian 13 Jun 80 p 3

[Article by Ion Bulborea: "The Consistent, Responsible Affirmation of the Principles of Self-Leadership and Self-Administration--the Essential Condition for Economic Progress"]

[Text] As is known, according to the decisions of the 12th congress, Romania will become, around 1985, a country with average development and will be transformed, in the not too distant future, into an economically developed country, with a material production and a national income comparable to those of the strongly industrialized countries. Such a complex and far-reaching process also presupposes necessarily a suitable mechanism for organization and management of economic and social life. In the light of this requirement, our party's constant concern for substantially improving the whole economic and financial mechanism and improving the management and planning of the national economy is natural. The decision of the plenum of the RCP Central Committee in March 1978, which substantiated the need to apply worker self-leadership and economic self-administration, constitutes the eloquent expression of such a concern. Since then, more than 2 years have passed, a period in which self-leadership and self-administration have proved to be efficient forms of exercise of worker democracy, of direct participation by the working people in the management of economic and social life. Remarkable successes, crystallized in greater outputs, in positive results in all fields of activity, have been registered--facts also pointed out at the recent work conference in the RCP Central Committee. Nevertheless, as was pointed out on the same occasion, there still are serious shortcomings and defects in the organization of labor and production, in the application of the new economic and financial mechanism. "The new mechanism," the secretary general of the party, Comrade Nicolae Ceausescu, pointed out, "presupposes self-administration and worker self-leadership, presupposes, above all, the achievement of production, the growth of net output, profitability and profits--and, on this basis, the providing of additional funds for profit-sharing."

Worker self-leadership and economic self-administration are meant to contribute to the management of material and human resources with maximum

efficiency, to the growth of production and national income, to the growth of public property and, as a natural consequence, to the growth of the real incomes of the population. The balanced and harmonious combining of the activity of each enterprise with the unified management of the whole economic and social life of the country on the basis of a plan is pursued by means of these forms and methods of modern management of the economy. Self-leadership and self-administration entail self-financing and the sharing of profits with the working people. Each enterprise or economic unit has its own income and expense budget, which is composed in such a way as to provide from its own activity both the financial resources that it needs and an increase in profitability and profit.

Although, until not long ago, the main indicator by means of which an enterprise's activity was quantified was gross output, according to the new mechanism the basic indicator that attests to the enterprise's contribution to the growth of national income, of the wealth of the country, is net output, namely, the newly created value (that is, the value of productive services and goods) during a year. The distinction is not of a semantic order by any means, but one of essence. Gross output also includes, along with the newly created value, the consumption of embodied labor (the material consumption). In order to fulfill their plan for gross output--and, implicitly, achieve their wages and profits--some enterprises resorted to drawing into production costly materials by means of which they increased the gross output but not also the efficiency of their economic activity. Although the myth of judging the economic results on the basis of gross output has vanished, the same thing cannot be said about the mentalities that still persist in some enterprises and economic units that want to share in profits but not also in achieving them.

The strict application of the principles of self-leadership and self-administration presupposes self-financing, the meeting of expenses from one's own resources, the production of goods and services in greater quantities and with higher quality, the ensuring of their sale on the domestic and foreign markets, and so on. In the light of the new economic mechanism, it must be understood that the relations of a "budget-ivorous" type have disappeared, and if they have still persisted in some places, they are vestiges of mentalities and procedures fallen into disuse. Such phrases as "planned losses," "unrepayable loans," "the supplying of fixed and circulating assets" and so on must be forgotten or left to the history of finance and planning. The socialist state does not finance "unrepayably" but advances to the enterprises and economic units financial resources that must be increased and paid back on the stipulated due dates. The economic mechanism of the socialist state must not be understood as an act of sharing for supporting parasitic units. According to the new mechanism, the enterprises and economic units must concern themselves not only with producing more and better but also with achieving their own products and services. It thus follows that the production process, viewed in its continuity, ends not with the obtaining of the product but only after its realization, that is, along with its sale. Because an unsold or hard-to-sell product is a



burden for society, fated to increase the stocks and stores of products not wanted by the customer. As is observed, the new mechanism entails both efficient practical actions and the rethinking of concepts and ideas with which economy theory operates. It creates the favorable framework for stimulating the staffs in the enterprises and economic units to utilize with maximum efficiency the resources that they possess. However, this mobilizing framework must be accompanied by responsibility and competence, by devotion and concern for the fate of production, on which the population's living conditions themselves depend.

As is known, the reduction of material consumptions, the better utilization of raw materials and the creation of our own base of raw materials and energy constitute one of the major problems on which growth and development on a micro- and macroeconomic level depend. It is no secret to anyone that although Romania was a producer of petroleum as far back as 1857 and was in fifth place in the world with regard to the production of black gold in 1936, it has now become an importer of crude oil. Over 50 percent of the need for petroleum is now met through importation with great valuta efforts. We also import large quantities of iron ore, coke, coking coal and so on. And this is at the world prices, which, especially for crude oil, have followed a runaway curve. However, under these conditions, it would be a big error to take the path of the development of production on the basis of importation. Consequently, the mobilization of internal resources, the better utilization of raw materials, supplies and energy resources, and the management of them with care and wisdom, along with the substantial reduction of imports, constitute an essential task of our enterprises and economic units.

The reduction of material expenditures and production costs, through the assimilation of new technologies and the modernization of the economic structures, will permit the obtaining of important savings that will be used to develop the national economy and to increase the profitability and, obviously, the profits of the enterprises and the working people. In our country, in comparison with the economically advanced countries, the consumption of materials and the consumption of energy are far higher. If to this we also add that some enterprises have consumptions far higher than the national average, we realize that this situation cannot but affect the fund for sharing profits with the working people in the respective enterprises and, in the long run, national wealth. Such a state of affairs is incompatible with the principles of the new economic and financial mechanism. As was also pointed out at the recent work conference in the RCP Central Committee, the application of this mechanism presupposes efficiency, profitability, profits, the strict fulfillment of the targets of the plan in all its sections. In accordance with socialist ethics and equity, both the amount of wages and the sharing in profits must be strictly connected with the work done and the results obtained in the activity performed, with the fulfillment of the production tasks to all parameters. Unfortunately, there still are also enterprises that, not fulfilling their plan obligations, resort to various financial tricks in order to provide their fund

for wages and for the payment of other debts, violating the legal provisions. Obviously, such practices are harmful both to the proper running of the enterprise and from the viewpoint of ethical conduct. The application of the new economic and financial mechanism means self-leadership and self-administration, and this presupposes self-financing and the formation of the enterprise's own funds. This does not mean in any case its isolation from other enterprises or economic units but, on the contrary, entails relations with the state as owner of the main means of production and with other enterprises and economic units.

As a factor for giving a personal interest to the enterprises, self-financing presupposes the establishment of economic relations between their funds and the general funds of the state and with the economic units with which they are connected by means of the production process. Consequently, the fulfillment of the plan targets or the failure to fulfill them is a problem that interests not merely one enterprise or another but all the enterprises and units, the whole economic and social organism on a national level. Although self-leadership and self-administration necessarily entail the meeting of expenses from their own incomes, this does not mean that in their activity the enterprises operate merely with their own resources. Besides these direct forms of financing (amortization and profits), they resort to intermediate forms of self-financing for carrying out large-scale investments, such as loans from the state budget, the funds of the centrals for financing big projects, and so on. However, these debts must be repaid on the stipulated date. Hence the great responsibility that the enterprises have in incurring the expenses for new investments. The same responsibility also devolves upon the banks, upon the financial apparatus that must control the rational and efficient utilization of funds. It is important not only to begin investments but also to carry them out in such a way that the established facilities are put in use on time. Any delay means a waste of manpower and materials, with negative repercussions not only at the level of the enterprise but also on a macroeconomic level. It must not be forgotten that not only the enterprises that have not honored their obligations but also those that recover the equivalent value of the products delivered have to suffer as a result of the failure to comply with plan discipline. It happened in this way in 1979 with some enterprises engaged in the building of chemical, petroleum and mining equipment, which were not able to recover their rights from customers because the latter had not achieved their own funds. We could say that there is a law of the correlation of economic growth that causes the activity of one economic unit to have chain-reaction repercussions on the other units and, in the final analysis, on the economy on a national level. It thus follows that the interests of the enterprises and economic units are closely connected with one another, and dynamic progress by the whole economy is possible only by means of the concerted effort of all.

DEVELOPMENT OF PRODUCTION FORCES SINCE 1950 TRACED

Bucharest REVISTA ECONOMICA in Romanian No 26,27 Jun 80 pp 1-2, 26

[Article by Ch. Raducanu: "The Powerful Development of Production Forces - A Result of the Scientific Policy of the Party"]

[Text] Consistent with Marxist-Leninist teachings, our party has placed the rapid development of production forces through socialist industrialization at the center of its policy of building a new order in Romania.

As a result of the socialist industrialization policy firmly and creatively promoted by the Romanian Communist Party, our country has succeeded in eliminating the backwardness inherited from the old regime, leaving behind the status of a poorly developed nation at the end of the 1966-1970 Five Year Plan. As was pointed out at the 12th Party Congress, at the end of the 1981-1985 Five Year Plan Romania will move beyond the state of a developing socialist nation and become a medium-developed socialist nation.<sup>1</sup>

The rapid development of the forces of production in our country is reflected in the extension of the production areas and the modification of the structure of the economy by branches and in the manner of using the human and material resources of production. Within the framework of this development, the period following the Ninth Congress is the most dynamic, marking a qualitative leap in the development of the forces of production at the beginning of the current decade and creating gradually the conditions for a new qualitative leap forward for the next 5 years.

During the 1950 to 1978 period, the number of people employed in the production sphere increased 1.16 times, of which: in industry by 3.44 times, in construction by 4.95 times, in transportation and telecommunications by 2.84 times. By accentuating the qualitative aspects of using manpower, the number of persons employed in agriculture was reduced to 54 percent.<sup>2</sup> Within the framework of this growth, which brought about changes in the structure of the population employed by branch, there are different rates of development between the two periods marked by the Ninth Congress. Thus, the average annual rate of growth in the number of persons employed in industry was 4.23 percent during the first part and 7.97 percent in

the second part of the period analyzed. In agriculture, the average annual rate of reduction in the number of people employed was .86 percent in the first part of the period analyzed and 3.86 percent in the second part. In the 1978 to 1985 period, the average annual rate of growth of the number of people employed in industry will be approximately 3.27 percent, while the average annual rate of decrease in the number of people employed in agriculture will be 4.21 percent. These rates will continue to change the structure of the population employed in industry from 33.5 percent in 1978 to approximately 37.5 percent in 1985, while in agriculture it will fall from 32.5 percent to approximately 21.6 percent.<sup>3</sup>

In a material sense, the development of the forces of production involved continually increasing investment efforts. According to the figures, these efforts were expressed in increases in the volume of investments from 61.9 billion lei in 1951-1955<sup>4</sup> to 970 billion lei in the current five year plan, an increase of 15.67 fold or an average rate of 73.5 percent from one five year plan to another. Being the result of the same causes, the policy of socialist industrialization, as well as the modification in the structure of the employed population, investments had an impressive evolution after 1965. In the 1966-1970 five Year Plan, the volume of investments was only 9.3 percent smaller than the total amount of investments made in the previous 15 years, while investments in the current five-year plan are only 27.9 percent smaller than the total amount of investments made during the five previous five-year-plans.

By branch of the economy, investments have been made according to the level of development of each branch and the requirements imposed by the rapid and harmonious development of the entire economy. As a result of the investment efforts made, fixed assets increased in industry during the 1950 to 1978 period 15.28 fold, in construction 44.06 fold, in agriculture 4.09 fold and in transportation and telecommunications 6.19 fold. This growth has been expressed in the continuing increase in the level of technical equipment supplied to labor, which has created better working conditions and possibilities for increasing labor productivity. In this sense, the evolution of fixed assets per person employed is significant, as shown in Table No 1.

The value of the level of technical equipment supplied to labor and the fixed assets per person employed recorded significant increases in all the branches represented. The most rapid growth was brought about by the ever greater tasks facing the builders and by the ever more pronounced tendency for the industrialization of these branches, which required the rapid growth of the level of technical equipment supplied to labor at an average annual rate of 8.12 percent. A similar situation existed in agriculture where the level of technical equipment supplied to labor



increased 7.60 fold. In this branch, the new production relations created a social framework favorable to the extension of the mechanization of agricultural work and the increase of the area where land improvement projects were carried out, irrigated land area and fruit-growing and grape-growing areas as well as the zootechny sector. All this had as an effect the increase in the level of technical equipment supplied to labor by an average annual rate of 7.5 percent. The average annual rates of increase, differentiated by the two sub-periods analyzed, show the especially dynamic nature of the development of the forces of production after the Ninth Congress. The massive penetration of technical progress in construction, agriculture and transportation and telecommunications gives the activities carried out in these branches an ever more pronounced industrial nature.

Table No 1.

Fixed Assets Per Person Employed in the Principal Branches of Material Production (in lei) and the Dynamics of These Assets

	1950	1965	1978	Average Annual Rate of Growth	
				1950-1965	1965-1978
National Economy	26,924	38,073	153,654	4.45	8.72
Industry	44,627	83,686	198,177	4.43	6.67
Construction	8,471	19,743	75,495	5.80	10.86
Agriculture	6,902	12,360	52,473	3.96	11.76
Transportation and Telecommunications	163,838	156,633	355,931	-0.20	6.51

Source: Calculated from the "Statistical Yearbook of the Socialist Republic of Romania," 1971, p 125 and 1979 issue, pp 91, 102, 111.

From a qualitative point of view, the development of the forces of production is principally expressed in the manner of using the elements of production: the work force and the means of production. The indicators that reflect the manner of using these elements are social labor productivity and the efficiency of using the means of production.

The level of social labor productivity, expressed in the national income created on the average per year by a worker in the production sphere, is shown in Table No 2.

Table No 2

## The Level of Social Labor Productivity Per Worker (in lei)

Indicators	Average Annual Rate of Growth				
	1950	1965	1978	1950-1965	1965-1978
National Economy	4,550	16,516	51,457	8.97	9.13
Industry	15,605	37,966	77,990	6.10	5.69
Construction	11,430	18,990	51,393	3.44	7.95
Agriculture	1,589	7,632	21,240	11.03	8.20
Transportation and Telecommunications	8,092	16,580	50,965	4.89	9.02
Other Branches	26,651	32,088	64,289	.52	5.49

Source: Calculated from the "Statistical Yearbook of the Socialist Republic of Romania," 1971, p 125 and the 1979 edition, pp 87-88, 91-92, 111.

In the period analyzed, social labor productivity increased by 11.3 times. This growth reflects the rapid development of the forces of production both in the level of technical equipment supplied to labor, which grew by 7.2 fold, and in the ability of the labor force to assimilate and apply technical-scientific progress in production on an ever greater scale. The more rapid development of the forces of production after the Ninth Congress is also reflected by the higher average annual rates of growth than in the first part of the period analyzed.

By branch, labor productivity grew at different rates, which permitted the more rapid development of the backward branches. In industry, social labor productivity grew five fold, a growth which, together with the increase in the number of persons employed, gave industry the leading role in the economy. As a result of this fact, industry increased its contribution in producing the national income from 46 percent in 1950 to 57 percent in 1978. Through the measures that are being taken to increase the level of technical equipment supplied to labor and to introduce more intensively into production the scientific and technical advances of our times, it is estimated that the level of labor productivity will reach 124,960 lei in 1985,<sup>5</sup> which would represent an eight fold increase compared to 1950. Brought about principally because of this growth, industry will accentuate its role as the leading branch in the economy, a role which is also expressed in its increased contribution to the production of national income, 65 percent in 1985, and to the social product, nearly 70 percent.<sup>6</sup> The lower rate of growth of

social labor productivity in the second part of the period analyzed is explained by the higher rate of growth of the number of persons employed in industry and by a much higher base for comparison. In the 1978-1985 period, when the number of persons employed in industry will show a slower rate of growth, the average annual rate of growth in social labor productivity will be 6.96 percent.

In construction, as a result of an increase in the level of technical equipment supplied to labor of 8.9 fold, social labor productivity increased by 4.5 times. The more rapid growth of the level of technical equipment supplied to labor compared to social labor productivity is brought about, in our opinion, by two more important causes. First, in the period analyzed, there were quantitative accumulations that did not have the time to be appropriately reflected in the level of labor productivity. Second, the national income produced by construction is smaller than that created as a result of redistributing its products through sales. The data in the table indicate nearly a doubling of the rate of growth of social labor productivity in this branch in the second part of the period analyzed as a result of doubling the rate of growth of the level of technical equipment supplied to labor.

Agriculture has seen the most spectacular growth in social labor productivity, by 13.3 fold. This rapid growth was brought about by the radical replacement of rudimentary labor implements with modern means and by applying on an ever broader scale scientific and technical advances and because of the revolutionary transformations that have taken place in the life of the Romanian village. The increases in social labor productivity have compensated for the 46 percent reduction in the labor force and provided for the 7.2 fold increase in the national income created in agriculture. Our party's policy of intensive development and modernization in agriculture will raise social labor productivity to approximately 42,482 lei in 1985, which will mean an increase of 26.77 fold compared to 1950. This increase will compensate for the 60.33 percent reduction in the work force in 1985 compared to 1950 and will provide for a 10.6 fold increase in the portion of the national income created by this branch. The slower rate of growth in productivity in the second part of the period analyzed is a result, for the most part, of the higher rate of reduction in the number of persons employed.

In transportation and telecommunications, social labor productivity increased by 6.3 fold. This increase was brought about by the modernization of all forms of transportation and telecommunications and by the more complete and efficient use of the work force in this branch. As shown in Table No 2, the period after the Ninth Congress was also the most dynamic one for this branch.

Table No 3

## National Income Created by the Means of Production per 1,000 Lei of Expenditures

Indicators	1950	1965	1970	1975	1978
National Economy	1,049	960	681	681	695
Industry	938	926	639	577	597
Construction	721	639	637	658	642
Agriculture	1,242	1,178	890	842	927
Transportation and Telecommunications	1,105	1,247	1,075	1,326	1,174

Source: Calculated from the "Statistical Yearbook of the Socialist Republic of Romania," 1979, p 93.

Under the economy policy of our party, the rapid development of the forces of production was also accompanied by the clear trend of bringing the level of development of each branch of material production closer together. This trend is reflected by the reduction of the gaps between the level of social labor productivity in industry and the other branches. The most spectacular reduction in these gaps was recorded between the level of social labor productivity in industry and agriculture from approximately ten fold in 1950 to only 3.67 fold in 1978, reaching 2.94 fold in 1985. This trend reflects the process of gradually wiping out some of the essential differences between the type of work carried out in the branches which have a tendency of grouping people according to their contribution to producing the national income.

Also from a qualitative point of view, the development of the forces of production is also reflected in the efficiency of the consumption of the means of production. This form of efficiency is expressed in the national income created by the means of production per 1,000 lei of expenditures.

The data in Table No 3 shows that the efficiency of the consumption of the means of production, within the framework of the 33.7 percent general decline for the period analyzed, shows two trends. Until 1970, there is a 35 percent decline in efficiency, after which there is a 2.06 percent increase in efficiency. This situation reflects certain stages in the development of the forces of production in our country. In the 1950 to 1970 period, it was the beginning stage of industrialization that created the material and human premises for the introduction



of technical progress. In this stage, the extensive factors for increasing production predominated, which had the tendency to reduce the newly created value per unit of work completed. After 1970, as a result of the directives established by the Tenth and Eleventh Congresses, the process of industrialization entered a new stage characterized by the ever broader scale introduction of technical progress. In this phase, the intensive factors for the growth of production made their presence felt even more, creating a trend of increasing the newly created value per unit of work completed. The documents of the 12th Congress show that this trend will be even more accentuated in the future: for 1980 an efficiency of 733 lei of national income from the means of production per 1,000 lei of expenditures is forecast, while for 1985 an efficiency of 802 lei is foreseen.

The more reduced efficiency in industry is due to the fact that in the 1950-1975 period industry was in the stage of quantitative accumulations necessary for the creation of the material framework for the intensive factors of increasing production. In the current five year plan, as a result of measures to reduce consumption and accentuate the qualitative facets, the efficiency of production means consumption grew by 3.5 percent in the 1975-1978 period. In 1980, the national income created per 1,000 lei of material expenditures is estimated at 625 lei, which means an increase in the efficiency of production means consumption for the entire five year plan of 8.32 percent. In the next five year plan, in accordance with the provisions of the documents of the 12th Congress, material expenditures per 1,000 lei of goods production will be reduced by 5.5 to six percent. In addition to this reduction, the increase in the degree of complexity of actual work incorporated in each unit of work completed will result in a level of national income created by the means of production per 1,000 lei of expenditures of 713 lei, which represents an increase of 23.57 percent compared to 1975. This evolution shows that in the current five year plan and in the next five year plan the intensive factors for increasing production have greater weight, indicating a move to a qualitatively higher stage in the development of industry.

In construction and agriculture we should use a bigger series of data to analyze the efficiency of the consumption of completed work since these branches exhibit fluctuations from one year to another because of changes in the volume and structure of construction and assembly projects carried out and in variations of environmental factors, an analysis which would go beyond the scope of this article. In any case, the trend to increase the economic efficiency of the consumption of completed work is also evident in these branches after 1970.

In the area of the consumption of completed work, transportation and telecommunications recorded an increase in economic efficiency of 6.24 percent in the period analyzed. In this branch, we can also distinguish two phases. The first phase, 1950-1970, is characterized by a decrease in the efficiency of the consumption of completed work by 2.71 percent. The second state, 1970-1978, is characterized by the growth of the efficiency of the consumption of completed work by 9.21 percent.

As a result of the policy of our party to develop the forces of production at a rapid pace, in the period analyzed national income created increased 13 fold or with an average annual rate of 9.7 percent. The volume of industrial production increased 29 fold and the volume of agricultural production increased 3.44 fold.<sup>7</sup> In 1978, our national economy was capable of producing the entire 1950 national income in only 28 days and its industrial production in approximately 12 days. In accordance with the documents of the 12th Congress, in 1985 the national income will increase 23-24 fold compared to 1950, industrial production by 52-54 fold and agricultural production by approximately five fold. This considerable increase of the forces of production will permit the 1985 Romania to produce the 1950 national income in approximately 15 days, industrial production in approximately 7 days and agricultural production in approximately 73 days.

It can be concluded, therefore, that during the years of socialist industrialization the Ninth Congress marks a decisive moment in the development and modernization of the forces of production in our country, the more rapid development of material production and the modification of the structure of the economy in favor of those branches that provide a higher level of processing of each unit of raw material, with the increase of economic efficiency in expenditures for production means after 1970 being the direct result of the original and creative policy promoted by the party and its secretary general, comrade Nicolae Ceausescu, during the period after the Ninth Congress. All these objective elements make this period the most fruitful in our entire history.

#### FOOTNOTES

1. Nicolae Ceausescu, "Central Committee Report Regarding the Activity of the Romanian Communist Party in the Period Between the 11th and 12th Congresses and the Future Tasks of the Party," Politica Publishing House, 1979, p 26.
2. Calculated from the "Statistical Yearbook of the Socialist Republic of Romania," 1979, p 111. I determined the number of people employed in the production sphere using the methodology proposed by C. Sirbu in "Productive and Non-Productive Work," Politica Publishing House, 1976.

3. Calculated from the "Report to the 12th Congress of the Romanian Communist Party," 1979, pp 8-9, 25, 46 and REVISTA ECONOMICA No 46 of 1979, p 16.
4. "The Statistical Yearbook of the Socialist Republic of Romania," 1979, p 369.
5. Calculated from the "Report to the 12th Congress of the Romanian Communist Party," Politica Publish House, 1979, pp 8-9, 25, 46 and "Statistical Yearbook of the Socialist Republic of Romania," 1979, p 111 and REVISTA ECONOMICA No 46 of 1979, pp 15 and 16.
6. REVISTA ECONOMICA No 46, p 10.
7. "Statistical Yearbook of the Socialist Republic of Romania," 1979, p 87.

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AREAS FOR IMPROVEMENT IN SMALL-SCALE BUSINESS, SERVICES

Bucharest REVISTA ECONOMICA in Romanian No 26,27 Jun 80 pp 5-6

[Article by Gh. Teodorascu: "The Multifaceted Involvement of Small-Scale Industry and Services in the Better Use of Material Resources and the Improvement of the Quality of Life"]

[Text] The working conferences with the active and basic cadre in the consumer cooperatives, artisan cooperatives, agricultural production cooperatives and people's councils, organized at the end of last week, discussed the activities carried out by the cooperatist unions and the local industry during the first 5 months of this year, the directions for the development of small-scale consumer and artisan industries, the better use of local and reusable resources, the conservation of fuels and energy, the growth of production slated for export, the development and diversification of services for the people, and the application of the new economic-financial mechanism.

Under the conditions where a restructuring of the entire industry is being considered, as it encounters the new economic restrictions - difficulties in procuring raw materials and energy, special attention must be accorded those simple and especially flexible industrial structures that can be easily integrated in the circular process of recovering and reusing raw materials, with costs comparatively much reduced when compared to big industry. The current concerns for the revitalization of this sector of the economy have in mind the irreplaceable role of small-scale industries in the national economic structure, both in the sense of better using material resources and the work force and in satisfying to a higher degree the people's consumer requirements.

As the secretary general of the party pointed out at the conferences, we are not speaking of producing solely products of low complexity in the small-scale industries, but also limited production and unique items that can be sold at the appropriate prices for those segments of the market receptive to such items. If we were only to take the case of fashion items where a flexible, limited production has every chance to register higher profitability, we can see the specific contribution that small shops can



make through quality, good-taste, fashionable products to the better satisfaction of demand. Even in the developed countries from an economic point of view, the role of the small-scale industries does not disappear and are capable of providing limited production or unique items. There are cases, as was shown in the conferences, where Romanian enterprises have placed orders to import from foreign markets certain limited production items made by low production units, not because they could not be made in-country, but because such production was not organized in Romania.

In order to meet these demands in our economy, a series of priority action directives were formulated within the framework of the proceedings of the conferences and, first of all, in the Speech by comrade Nicolae Ceausescu:

-- the growth of the percentage of small-scale industry in the total industrial production of the country, working especially on the basis of increasing labor productivity in this sector;

-- the bringing into the economic circuit of certain currently insufficiently used material resources and those that can be productively used at the local level. As an example, we note the possibilities of using to a greater degree certain materials such as: reeds, stalks (from barley, rice, oats, sorghum) and cat's tails for use in weaving in cooperatist units; to make certain products from quarries (clay, gravel, limestone rock, ballast) that can be extracted by organizing small groups, to produce small articles for household use waste wood and to use medicinal plants and other wild-growing flora as raw materials for medicines, oils and dyes, perfumes and scents. The use of such raw materials according to local traditions (for example: peasant ceramics with many forms of use; objects and furniture carved from wood; household or artisan objects made from stone, marble, amber or other semiprecious stones; tiles, slate and so forth) can bring to the entire national economy a diversification in items offered and, at the same time, important savings in basic materials - metals, wood, glass and cement;

-- the continuation of the process of successive processing on down the line of raw materials that can be accepted as reusable materials from big industry: waste from steel plate, wood, skins, plastics, textiles, rubber and so forth. From these, small items of household use can be made & are, currently, the necessary amount of items cannot be supplied (wooden trays, wooden spoons, wooden coat hangers, baking tins, frying pans, dust pans, funnels, containers, door mats, rags for household use or taking care of automobiles, toys, artisan items);

-- the growth of the contribution to conserving raw materials and energy by accepting for reconditioning certain pieces and materials from different economic sectors. First of all, we are talking about certain periodically replaced automotive parts, household and farm items (refrigerators, vacuum cleaners, washing machines, irons, fans, radios and

televisions). For example, the Pitesti Automobile Enterprise melts-down significant quantities of fenders and hoods that have small imperfections and these could be accepted and reconditioned by cooperatists, thus increasing the number of these items available. In a similar manner, this could happen for other products such as: furniture, equipment, glass, plastic and so forth;

-- the development of artisan production with a specifically local artistic style based on authentic models that respect the local form and colorings;

-- the cooperation with big industry, which will continue to be one of the most profitable sectors of cooperatist activities, but not achieved through (large quantity) series production, rather through quality, limited production and special order items that can contribute to the production of certain goods for export or to reduce certain low-volume, costly imports or which do not interest big industry because of the low volume of series production.

In order to ensure continuity in the achievement of certain functions of the consumer cooperatives, such as supplying their commercial network from their own resources, especially with food stuffs and certain household items, and obtaining certain products from the people for the market and for export, we have in mind expanding the concern for organizing agricultural farm annexes of a zootechnical nature (fowl, sheep, pigs, horses, fur-bearing animals, silk worms, snails and so forth) and intensifying acquisitions from the people's farms.

The implementation of these directives to improve activities requires a new means of designing and organizing the small-scale production of goods, both at the level of central coordinating organs and at the level of local operations management. The tendency of the cooperative to prefer to serve as a sub-supplier for big industry has generated the phenomenon of gigantism in order to ensure large series production, by using the materials from stocks, leaving the small-scale production of consumer goods in second place based on local resources. And, the principal attribute of small-scale goods production is precisely its special efficiency and flexibility based on simple organization and the possibility of quickly satisfying and effectively adapting to the evolution of consumer demand.

The flexibility and receptivity to demand must be based on operative, true information regarding the existing reusable raw material resources in the country and the facility of direct access to them. And, currently, the acquisition of reusable materials is determined by the banking organs and the approval of the county supply centers, which creates great delays in procuring certain such materials.

The orientation of production can be improved through a more intensive concern on the part of the design collectives, both at the level of UCECOM and CENTROCOOP and at the level of the county unions, for drawing up certain guidance, as well as providing systematically documentation for the workers in small-scale production regarding the trends on the international and foreign markets. In the production of artisan items, there is need for a more active intervention by the design commissions, with greater involvement by artists, creators and designers in order to avoid uniformity or the "pollution" of authenticity in popular art.

In order to continue the handicraft traditions, it would be necessary to give greater attention to understanding the specific elements of local popular art in general and high school education through theoretical themes and practical activities in the cooperatives' production shops. Broadening the home use of sewing, lace work, embroidering, weaving, sculpturing, ceramics and so forth would also respond to the same purpose and would permit the furthering of the creative and production values existing in each locality. With regards to the forms of material incentives, the most adequate have proved to be payment in lump sum and a share of the receipts which directly ties the amount earned to the quantity and quality of the work.

The development and diversification of services constitute an ever more important facet of the standard of living and the quality of life, a qualitative dimension of the economic-social development of the country.

Currently, several factors are working upon the demand for services, such as: the restructuring of the people's employment in the branches of the economy, the growth of the urban population, social mobility, the increase in the amount durable goods and homes with comfort items, the increase in the number of women working in economic-social activities, changes in the use of free time and so forth, with all these leading to the phenomenon of unsettling the consumption of services.

Currently, the average percentage of expenditures for services in the total amount of expenditures by the people is still relatively small, approximately 15 percent. An increase in this is also brought about by a quantitative increase, but more so by a qualitative increase and the variety of services offered on the part of the principal service organizations - UCECOM units and those of the people's councils for urban areas, and consumer cooperatives and agricultural production cooperatives for the rural areas.

In order to satisfy the people's demands under better conditions and to eliminate the shortfalls and shortcomings that still occur in this sector, during the conferences the need to increase the volume of services per inhabitant was outlined, both for the urban environment and the rural one.

The handicraft cooperative industry, which has units for over 250 types of services, recorded a volume of receipts per inhabitant up to 50 percent below the countrywide average in certain counties (Teleorman, Hunedoara, Prahova, Iasi, Caras-Severin, Dimbovita). The network for some types of services, such as paint shops, lingerie items, units for cleaning and blocking hats, dry cleaners, furniture repair, rug service, locksmiths, refrigerator repair and other electric household items repair, at-home and at-the-farm services, are not uniform and are insufficiently developed to meet the volume of demands.

In the rural areas, the consumer cooperatives are having an approximately 10 percent lower volume of services per person compared to the national average while in some counties (Bacau, Gorj, Iasi, Vaslui) the amount is even smaller.

The variety in the network is insufficiently developed for activities such as: combing, tanning-dressing, dyeing, baking, sewing, repairing footwear, repairing household items and hairdressing.

A priority concern in organizing services will be bringing the service closer to the citizen's house. To this end, we can look to simple, economical solutions that have demonstrated their viability, such as: operating mobile shops in the new housing areas that offer a full range of services needed to finish-off housing units (locksmiths, carpentry, bathroom fixtures, paints and so forth) and that will stay in the area until permanent shops can open. Later, we have in mind the organization of telephone orders to a dispatcher in the housing area who will send the specialized workers to the home.

For the rural environment, we have in mind equipping vehicles like the ARO or minibuses as mobile shops equipped with the necessary items. These vehicles will cover an itinerary with a set schedule in order to fix certain household items, repair equipment and so forth.

Both the handicraft cooperatives and the consumer cooperatives can organize the reconditioning of certain automobile parts or household items in order to provide necessary spare parts through their own efforts. New possibilities to broaden the volume and variety of services are offered by the legal framework created in Decree No 101/1980 regarding the operation of small units on the basis of a percentage of receipts. It should be noted that the merger process is still being carried out slowly -- of the units selected for merger with the handicraft cooperatives only approximately one-fifth were accepted and in the consumer cooperative network only about one-tenth. The result is a need for a sustained activity to popularize the new regulations regarding the development of services among the ranks of retired people and cooperatists in order to implement the adopted decisions as quickly as possible.



The proceedings of the conferences occasioned a useful exchange of experience between the cooperatists from different counties, an occasion to analyze the manner in which the units in this sector can and must make their contribution to the goals which stand before our national economy. The participants pledged to firmly work in the spirit of the directives and guidance in the Speech of comrade Nicolae Ceausescu for the fulfillment under the best conditions of their tasks in the unique national economic-social development plan for the development and prospering of all areas of the country.

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